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**SOCIALIST
TRANSFORMATION
OF PRIVATE TRADE
AND INDUSTRY
IN KOREA**

**PYONGYANG, KOREA
1977**

SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY IN KOREA

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FOREWORD

Under the wise guidance of the great revolutionary leader Comrade Kim Il Sung the Workers' Party of Korea and the Korean people have registered great successes and experiences in the long-drawn revolutionary struggle and construction. Occupying an important position among them is the successful fulfilment of the historic task of socialist transformation of private trade and industry.

As a result of the complete liquidation of Japanese and comprador capital by the nationalization of major industries in the stage of the anti-imperialist, anti-feudal democratic revolution, our private trade and industry came to consist of the poor private handicraft economy and small and medium capitalist trade and industry.

The socialist transformation of private trade and industry stood out as an historic task as our revolution went over from the democratic to the socialist stage. This historic task was an inevitable requirement of the socialist revolution whose mission was to abolish all private ownership, establish the undivided sway of the socialist production relations and eliminate exploitation of man by man once for all.

The respected and beloved leader Comrade Kim Il Sung, the great ideo-theoretician and revolutionary genius, having subjected to scientific analysis

the objective requirements of our developing revolution and the historic features of our private trade and industry, put forward an original policy of their socialist transformation through cooperation and wisely guided the struggle for its implementation. As a result, this difficult and complicated revolutionary task was smoothly carried out.

With the socialist transformation of private trade and industry, handicraftsmen, entrepreneurs and traders who had long clung to the private economy became honourable socialist working people, and the poor, backward private trade and industry were turned into an advanced socialist cooperative economy.

Materialization of the socialist transformation of private trade and industry meant a great advance in the independent and creative life of our people and a resplendent victory in the realization of the cause of socialist revolution.

1. ORIGINAL POLICY FOR SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY

It is the law-given process of the socialist revolution to abolish all private ownership of means of production and establish the socialist relations of production.

The socialist transformation of private trade and industry is an important revolutionary task to make a clear riddance of capital in the spheres of industry and commodity circulation. Only by thoroughly transforming private trade and industry on socialist lines along with the private peasant economy, is it possible to successfully carry out the fundamental task of the socialist revolution for removing all the socio-economic root cause infringing upon man's independence and freeing all the working people from exploitation and oppression for ever and turning them into real masters of the country and society.

On the basis of the immortal Juche idea, the great leader Comrade Kim Il Sung clarified the historic necessity of the socialist transformation of private trade and industry and laid down the revolutionary policy and principles for its realization, and thus excellently solved an important strategic problem of the socialist revolution.

1) Socialist Transformation of Private Trade and Industry Is a Lawful Requirement of Socialist Revolution

The socialist transformation of private trade and industry is a great socio-economic reform which converts private handicrafts and capitalist trade and industry into the socialist economy and remould the handicraftsmen and capitalist traders and industrialists into socialist working people. This is one of the fundamental revolutionary tasks to be surely accomplished in the stage of the socialist revolution following the anti-imperialist, anti-feudal democratic revolution.

Our private trade and industry underwent a radical change in their status with the country's liberation from the colonial domination of the Japanese imperialists and the carrying out of the democratic revolution. The development of our non-comprador capital was much impeded in the past due to the long-drawn colonial rule of Japanese imperialism. The major branches of our national economy were monopolized by Japanese capital. Our national capitalists save a handful of the comprador capitalists held a negligible portion in the sphere of trade and industry. Japanese imperialism had destroyed even our traditional handicrafts beyond measure.

The country's liberation saved private handicrafts

and capitalist trade and industry from bankruptcy and ruin and put them on a new road of advance.

Right after liberation, the great revolutionary leader Comrade Kim Il Sung vigorously mobilized all the people including handicraftsmen, entrepreneurs and traders to the building of a rich and powerful, independent and sovereign state under the slogan: "Those with strength, let them give strength; those with technology, let them give technology; those with money, let them give money; those with wisdom, let them give wisdom. All unite to build a new country!"

Our people's power helped in every way the private traders and industrialists restore and develop their economy and improve their lives. It strictly enforced the agrarian reform and the nationalization of major industries as tasks of the anti-imperialist, anti-feudal democratic revolution. As a result, the handicraftsmen and national capitalists were freed from exploitation and subjugation by feudal landlords and comprador capitalists, and became able to develop their economy freely. In a brief period after liberation they restored their economy, increased production and turnover, and improved their lives markedly.

Our private handicrafts, however, were so impoverished and backward from the start that they were unable to make a progress as long as there remained capital. Meanwhile, the capitalist economy held a very weak position from the outset in the national economy due to the strict enforcement of the nationalization of major industries. Its scale and technical equipment were hardly anything. Since the national economy was developing along people's democracy,

the capitalist economy had little prospect of development and had to remain within its fixed limit.

The historic task of transforming private trade and industry on socialist lines cropped up with the completion of the anti-imperialist, anti-feudal democratic revolution and the beginning of the socialist revolution.

The great leader Comrade Kim Il Sung taught:

"The socialist transformation of the old economy is a process governed by the laws of development of the socialist revolution; it is a principal task that has to be tackled in the period of transition from capitalism to socialism" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 60).

The socialist revolution is the most serious social reform in human history, which is aimed at abolishing exploitation of man by man for ever and opening up a new path of social advance. Its fundamental task is to abolish every private ownership of the means of production, once for all, which infringes upon man's independence, his life, and greatly impedes the social development, and establish the undivided sway of the socialist production relations.

Private trade and industry consisting of the private handicraft economy and capitalist trade and industry are based upon the private ownership of the means of production. Their socialist transformation, therefore, is a requirement of the law governing the development of the socialist revolution.

Fully explaining its need, the great leader Comrade Kim Il Sung taught us that it would first of all eliminate the sources of exploitation and penury and rapidly increase the social productive forces.

The great leader Comrade Kim Il Sung taught as follows:

“As long as the capitalist and small-commodity sectors were left intact, it was impossible to thoroughly eradicate the sources of exploitation and poverty, and completely free the productive forces of society from the shackles of old production relations, and speedily develop the nation’s economy as a whole in a planned way” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. VI, p. 311).

While private trade and industry are allowed to remain as they are, it is impossible to abolish exploitation of man by man and uproot the source of poverty. Private handicrafts are a small-commodity economy where one turns out commodities with a small means of production by one’s own labour. Handicraftsmen themselves are not exploiters. They rather suffer exploitation by capitalist elements. Class differentiation takes place among private handicraftsmen within a limited scope as long as capitalist elements are left in society. Hence, handicrafts afford a hotbed of capitalism.

Capitalist trade and industry based on the private ownership of the means of production form a capitalist economy which exploits the working people by way of hiring labour or circulating commodity. Their exploiting nature cannot change even though the people’s regime strictly controls their development and keeps the scale of their economy small. Capitalist trade and industry always bear exploitation of man by man, speculation, profiteering, and the source of poverty. All this indicates that the conver-

sion of private trade and industry into socialist ones is essential for the complete elimination of the source of exploitation and poverty.

The socialist transformation of private trade and industry is indispensable for freeing productive forces from the fetters of the old relations of production and developing them rapidly. Private trade and industry based on a tiny, backward technology can not organize production rationally nor introduce advanced technique widely nor carry on extended reproduction satisfactorily. In addition, they exert a negative influence on the socialist economic development and prevent the effective mobilization and use of the potentialities and possibilities of production on a society-wide scale. Therefore, the socialist transformation of private trade and industry along with the agricultural cooperation in the stage of the socialist revolution presents itself as an urgent fighting task because it will completely free the productive forces from the shackles of the old relations of production and open up a broad avenue for their rapid growth.

The socialist transformation of private trade and industry is prerequisite to the rapid and planned development of the whole national economy. Unlike the socialist economy, private handicrafts and the capitalist economy remain outside the state planning. The state meddles in the planning of these economic sectors, but can not place them on a full planned basis since they are under private ownership.

More, private trade and industry impede the rapid growth of the national economy as a whole, incessantly producing spontaneous elements and adversely

affecting the planned development of the socialist economy. They should be transformed into the socialist economy to eliminate the spontaneous elements in the national economy and attain its planned development.

The socialist transformation of private trade and industry is indispensable also for further consolidating on a new socialist basis the unity and cohesion of the entire people based on the worker-peasant alliance and for fortifying the political foundations of the revolution by removing the hide-outs of the reactionaries and the hotbed of the old ideology. This is prerequisite to the development of the socialist revolution.

In order to successfully carry out the socialist revolution and construction it is most important to build up the political forces of revolution. What is vital here is to further strengthen on a socialist basis the unity and cohesion of the entire people based on the worker-peasant alliance. Politico-ideological unity and cohesion of the entire people based on the worker-peasant alliance led by the working class are the source of an invincible force which brings sure victory in the class struggle against the reactionary forces, a powerful force which successfully drives forward the socialist revolution and construction.

The unity and cohesion of the entire people after the democratic revolution can be consolidated on a new socio-economic basis only by remoulding all the private peasants, handicraftsmen, and capitalist traders and industrialists into socialist working people through the agricultural cooperation and the socialist transformation of private trade and industry. When the agricultural cooperation and the socialist trans-

formation of the private trade and industry are realized the erstwhile private peasants, handicraftsmen and capitalist traders and industrialists will share common aim and interests with the working class on the same socio-economic status with it. This will guarantee the rock-like unity and cohesion of the entire people. The unity and cohesion of the entire people based on socialism are incomparably firmer than those in the stage of the preceding revolution; they constitute a decisive factor in successfully pushing ahead with the socialist revolution and construction.

The socialist transformation of private trade and industry also renders it possible to definitively cement the political foundations of revolution by removing the foothold of the reactionaries and the hotbed of old ideology.

Small-commodity production, the capitalist economy in particular, provides the reactionaries with the soil to set foot on to engage in insidious manoeuvrings. Enemies of revolution stretch their tentacles to the private peasant economy in the countryside and private handicrafts and capitalist trade and industry in towns and make every attempt to whip together counterrevolutionary stooges there, create confusions and difficulties in economic management and convert the private economy into a counterrevolutionary base. Private trade and industry, for their part, provide socio-economic conditions for breeding bourgeois and petty-bourgeois ideologies every hour; private traders and industrialists are vulnerable to the reactionary ideology penetrating from outside.

Therefore, in order to remove the reactionaries'

foothold and the hotbed of old ideology and strengthen the political foundations of revolution in the stage of the socialist revolution, the socialist transformation of private trade and industry must be thoroughly carried out along with the agricultural co-operation.

As seen above, the urgent politico-economic problems facing the revolution succeeding to the anti-imperialist, anti-feudal democratic revolution can be successfully solved only by transforming private trade and industry on socialist lines, while cooperating agriculture. The socialist transformation of private trade and industry is essential for remoulding the private handicraftsmen, entrepreneurs and traders into honourable socialist working people, liquidating exploitation and oppression for good, rapidly developing the country's productive forces, consolidating the politico-ideological unity of the entire people on a socialist basis and letting the working people enjoy an independent and creative life as masters of the country and society.

2) Original Policy for Socialist Transformation of Private Trade and Industry through Cooperation

What basic policy to establish in transforming private trade and industry on socialist lines is a matter of principle affecting the fulfilment of this complex

task. The same applies to the solution of all other problems of revolution and construction.

Standing firm by Juche, the great revolutionary leader Comrade Kim Il Sung, scientifically analyzed the country's socio-historical conditions, the position and role the individual traders and industrialists assumed in the developing revolution, and the prospect of our revolution, and, on this basis, put forward the most original policy for the socialist transformation of private trade and industry. Thanks to this most revolutionary and scientific policy advanced by the great leader, the socialist transformation of private trade and industry, a difficult and complicated revolutionary task, could be carried out very smoothly in our country without any slightest deviation or confusion in the course of its implementation.

In establishing the policy for the socialist transformation of private trade and industry, the important things were how to combine the transformation of handicrafts with that of capitalist trade and industry, whether to expropriate the capitalist traders and industrialists or to transform them on socialist lines, and how to define the fundamental forms of their socialist transformation.

The Workers' Party of Korea and the Government of the Republic adopted an original line of transforming both handicrafts and capitalist trade and industry in close combination as an integral whole, while taking different measures for them in consideration of their difference and commonness, of remoulding the capitalist traders and industrialists along socialist

lines instead of expropriating them, and of transforming both handicrafts and the capitalist economy through cooperation.

POLICY FOR COOPERATION OF PRIVATE HANDICRAFTS

Already in the initial transition period, our Party and Government put forward the definitive policy of the cooperation of handicrafts on an experimental basis.

The great leader Comrade Kim Il Sung taught as follows:

“The socialist transformation of handicrafts in our country was already undertaken on an experimental basis before the war” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 66).

To remould individual handicraftsmen as socialist working people by drawing them into producers' co-operatives conformed to their socio-economic position and consciousness. It was essential for the thorough implementation of the Party's economic policy at the early stage of the transition period.

Individual handicraftsmen are proprietors in that they have their own means of production, though small, but they are at the same time working people in that they engage in production mainly with their own labour without exploiting others' labour. As small producers, they may waver in the course of revolution, but they faithfully follow the leadership of the working class and serve as a motive force in the democratic

and socialist revolutions. As for the individual handicraftsmen of our country, they had long been subjected to harsh exploitation and plunder by the Japanese imperialists, the landlords and comprador capitalists and walked all along the road of bankruptcy. Therefore, they had vital interests in the anti-imperialist, anti-feudal democratic revolution and, together with the working class, took an active part not only in it but in the socialist revolution as well.

A working-class party and state can neither expropriate by force the property of the small producers, a motive force of the revolution, nor apply any coercive measures to them in any case. The fairest attitude for a working-class party to assume toward the private handicraftsmen is to gradually lead them to socialism, tirelessly educating, persuading and organizing them.

The only practicable and reasonable way to take the private handicraftsmen to socialism is to draw them into cooperatives. A cooperative is a form of socialist remoulding which is suitable to the economic status and consciousness of private handicraftsmen, and is most easily accessible and understandable to them. A producers' cooperative can easily be organised even with insignificant tools and funds. By joining a cooperative, handicraftsmen can jointly defend their interests from exploitation by capitalist elements. Also they can increase labour productivity far more than that at the time of the private economy and steadily expand and strengthen the economic foundation of their common economy. A producers' cooperative closely combines the interests of the state and the indi-

vidual interests of its members and renders it possible to systematically promote their material and cultural well-being while developing the country's productive forces.

Because of such advantages of the cooperative economy, private handicraftsmen who are new to the socialist organization of production and keep old thoughts in their minds come to accept it, having great interests in its organization.

The policy of transforming private handicraftsmen along socialist lines through the cooperative economy was a correct policy which was formulated, taking into full consideration their specific qualities as small producers and the advantages of the cooperative economy; at the same time it was a revolutionary policy because it rendered it possible to faithfully implement the Party's economic policy in the early stage of the transition period.

The great leader Comrade Kim Il Sung said:

"The fundamentals of our Party's economic policy consisted in ensuring the direct, planned state control of the major industries, railway transport, communications, foreign trade and financial agencies and in the proper coordination of the state, cooperative and private sectors of the economy based on the constant strengthening of the leading role of the state sector in the development of the national economy" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. I, p. 231).

The main points of our Party's economic policy clarified by the great leader for the first stage of the transition period were to ensure the direct, planned

state control of the economy and properly coordinate the state, cooperative and private sectors on condition of constantly enhancing the leading role of the state sector in the development of the national economy.

This economic policy correctly reflected the demand of the law of the economic development in the transition period. Planned economic development, which could be made with the nationalization of the major means of production, is an intrinsic feature of the socialist economy and a main factor behind the development of the whole national economy along the socialist course.

In the transition period, various economic sectors, socialist, small-commodity and capitalist, are allowed to exist together. Under such conditions, it is the natural requirement of economic development in the transition period to properly coordinate the state, cooperative and private sectors of the economy on the basis of ensuring the priority growth of the state sector and steadily strengthening its leading role. This makes it possible to mobilize all possibilities and potentialities of the country to the utmost and advance the economy apace by actively enlisting the initiative and creativeness of the people of various strata—the working class, individual peasants, handicraftsmen, entrepreneurs and tradesmen. Especially, the efforts directed to the development of the state and cooperative sectors in the initial stage of the transition period were of weighty significance in consolidating the economic foundations of the people's power and preparing the leadership forces for the allout socialist reorganization of the national economy in future by rapi-

dly expanding and strengthening the socialist economic factors.

The cooperative sector can be developed by organizing cooperatives engaging in production and circulation with small producers and other people in urban and rural areas and ceaselessly increasing their number, whereas the state economic sector can be expanded and strengthened by way of continuously consolidating the nationalized economy and increasing new state investments. Handicraft cooperation is of key importance in building and developing the cooperative economy.

Our Party started to organize producers' cooperatives with private handicraftsmen already in the first stage of the transition period. This policy was based on a scientific calculation of both the then actual conditions of private handicrafts and the prospective demands of socio-economic development. It was also a revolutionary policy because it served directly for the thorough implementation of the Party's economic policy in the first stage of the transition period and rendered it possible to steadily expand and strengthen the socialist sector in the national economy.

POLICY FOR SOCIALIST TRANSFORMATION OF CAPITALIST TRADE AND INDUSTRY

How the Party and people's power should approach the capitalist traders and industrialists poses a very serious problem. A working-class party must thoroughly expropriate the comprador capitalists, but the case is different with national capitalists—capita-

list traders and industrialists.

It had been considered at the time that the capitalist traders and industrialists should be expropriated as exploiters in the stage of the socialist revolution. There had also been an instance of the medium and small capitalists being remoulded on socialist lines through the channel of state capitalism.

In our case, however, it was impossible to expropriate all capitalists including even small and medium national ones at one time by dint of nationalization or to turn to such a transitional form as state capitalism.

After going thoroughly into the law-governed process of our socio-economic development and the historical peculiarity of our capitalist trade and industry the great revolutionary leader Comrade Kim Il Sung laid down the original policy that involved remoulding the capitalist traders and manufacturers along socialist lines instead of expropriating them.

The great leader Comrade Kim Il Sung said:

"In the socialist reorganization of individual trade and manufacturing, our Party and the Government of the Republic devoted special attention to the transformation of capitalist trade and manufacturing. Taking into account their characteristic features in our country, our Party adopted the line of remoulding the capitalist traders and manufacturers along socialist lines, instead of expropriating them" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. VI, pp. 316-17).

The line of remoulding the capitalist traders and manufacturers along socialist lines instead of expropriating them is an original strategic policy which is

defined in line with the requirements and historical conditions of the Korean revolution on the basis of the immortal Juche idea, free from any existing proposition or experience.

Our country had long been left as a colonial semi-feudal society under Japanese imperialist domination. This had hindered the normal development of capitalism and thrown national capital, in particular, into a deplorable state. Out of the total industrial capital in our country, Koreans had held only 5 per cent; 85 per cent of the trading capital had been in the hands of the Japanese. Our national capitalists engaging in medium and small trade and industry had gone to ruin, overpowered by Japanese monopoly capital and comprador capital. They had been stripped of political rights and exposed to a constant threat of financial, raw material and marketing difficulties. Such was their socio-economic status in the colonial semi-feudal society, and it represented their historical peculiarity.

Our national capitalists had some revolutionary qualities although they took a noncommittal attitude toward revolution because of their class status. They had vital interests in the anti-imperialist, anti-feudal democratic revolution and thus followed the working class.

Having gained a deep insight into such characteristics and interests of our national capitalists, the great revolutionary leader Comrade Kim Il Sung had put forward the strategic policy of winning over them to the side of the revolution and uniting with them already in the days of the anti-Japanese revolutionary struggle. The great leader severely criticized and

overcame the "Leftist" deviation that regarded the national capitalists as reactionaries, putting them on a par with a handful of the treacherous comprador capitalists, and saw that work with the national capitalists should be conducted in a principled and generous manner.

Firmly adhering to the principled stand toward national capitalists defined by the great leader Comrade Kim Il Sung, the revolutionaries, together with them, waged the national-liberation struggle and carried out the democratic revolution.

In uniting with the national capitalists in the anti-imperialist, anti-feudal democratic revolution, our Party firmly adhered to the principle of struggling while uniting. Since the national capitalists had a dual nature and wavered all along in the course of revolution, the working class had to fight implacably against their vacillation while uniting with them.

Faithful observance of the principle of struggling while uniting not only heightened the zeal and activeness of the national capitalists in the democratic revolution but made them further support the working class and proceed to the socialist revolution.

Inasmuch as the national capitalists participated in the democratic revolution and then came out in support of the Party's line of the socialist revolution, it was impossible for our Party to expropriate the capitalist traders and manufacturers in the stage of the socialist revolution for a mere reason that they were a target of this revolution.

As seen above, our Party's policy in regard to the national capitalists is not a temporary tactical but

traditional policy which has been consistently followed from the time of the anti-Japanese revolutionary struggle, a resolute policy of taking them up to a socialist, communist society.

The great leader Comrade Kim Il Sung said:

"From the beginning our policy in regard to the national capitalists was not only to carry out the anti-imperialist, anti-feudal, democratic revolution together with them, but also to take them along with us to a socialist, communist society" (*ibid.*, p. 317).

This policy of taking the national capitalists up to a socialist, communist society is a fine embodiment of the immortal Juche idea which demands that all people save a handful of vicious reactionary elements can be educated and remoulded.

The policy of remoulding the national capitalists along socialist lines instead of expropriating them in the stage of the socialist revolution was based on the firm determination to take them to a socialist, communist society, which had been made in the days of the anti-Japanese revolutionary struggle.

It was also based on a scientific analysis of the actual economic conditions of our capitalist traders and manufacturers.

The national capital remained insignificant before liberation, and after liberation, too, it played a secondary role in our national economy. Especially, the birth of the state economic sector through the nationalization of major industries and its rapid development, further dwarfed capitalist trade and industry. In the gross industrial output value in 1947 the private economy held only 19.8 per cent as against the 80.2

per cent of the state sector of the economy.

The socialist sector definitely playing the leading role in the national economy from the early period of the transition, capitalist trade and industry failed to exert any influence on the state and cooperative sectors, on the contrary, they underwent the latter's influence and relied on them. Later in the course of economic development, the balance of force between the socialist economy and the capitalist trade and industry underwent a fast change decisively in favour of the former. Especially, the war ignited by the US imperialists in Korea wrought havoc with capitalist trade and industry and drove the majority of the entrepreneurs and traders virtually into a status akin to that of handicraftsmen or small traders. Such being the case, there was no need to expropriate them, and they possessed hardly anything to be expropriated.

In conditions where capitalist trade and industry became very insignificant, while the socialist economy was predominant, the point was how to approach and deal with the entrepreneurs and traders. The fact that they were in a status hardly discernible from handicraftsmen and small traders, although they were capitalists in nature, made it practically possible to enlist them in socialist construction and reshape their economy by peaceful means instead of expropriating them.

Thus, the policy of transforming the capitalist traders and manufacturers along socialist lines instead of expropriating them is a policy based on a scientific calculation of the characteristic feature of the national capitalists in a colonial semi-feudal society and of all the politico-economic factors affecting the revolution.

This original policy found its concrete expression in our Party's policy in regard to the capitalist traders and manufacturers.

Formulating the strategy and tactics for the socialist transformation of capitalist trade and industry, the great leader Comrade Kim Il Sung said:

"During the period of transition, our Party's policy in relation to capitalist trade and industry was to transform them gradually into the socialist economy, utilizing their positive features and controlling their negative ones" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 68).

The fundamental requirement of the policy for transforming the capitalist traders and manufacturers on socialist lines instead of expropriating them is to reorganize the capitalist economy gradually into the socialist one, utilizing its positive aspects and controlling its negative ones.

The socialist transformation of capitalist trade and industry does not proceed all by itself. It is carried out by a working-class party and state by way of gradually converting the capitalist economy into the socialist one in line with the changing situation, while intentionally utilizing its positive features and controlling its negative ones in the whole course of its existence.

As an economy in the transition period, capitalist trade and industry play a dual role in the economic development. In the first phase of the transition period they somewhat play an affirmative role; they help increase production, promote economic contacts between town and country, stimulate the production

of the individual peasant economy and meet the needs of the working people. Hence arises the need to make effective use of them in the initial period of transition when the productive forces are on a low level of development as a whole and the socialist economy is not in a position to meet all demands of the economic life.

However, the utilization of the positive aspects of capitalist trade and industry does not mean allowing their free development or precluding the struggle against their negative aspects. Since the capitalist economy, large or small, is based on private capitalist ownership, it is bound to have negative features. So long as the capitalist economy exists, it is impossible to remove the phenomenon of exploitation of the working people and spontaneity in economic life; the socialist economy, too, can not be free from a certain negative influence the capitalist economy exerts upon its development. Therefore, strict restriction on and control over the negative aspects of capitalist trade and industry are a matter of principled significance both for their socialist transformation and for the successful building of socialism as a whole.

Restriction, utilization and transformation in regard to capitalist trade and industry are closely correlated to one another, though each is a different aspect. So long as capitalist trade and industry exist, they must be intentionally utilized, and this utilization can be effective only when a restriction is placed on their negative aspects. And the conditions for their transformation are gradually ripened in the course of utilization and restriction and, in the end, they are

transformed on socialist lines. This tells that the socialist transformation of capitalist trade and industry can be brought to success only through a complicated process attended with subtle strategic and tactical guidance. If capitalist trade and industry are allowed to develop freely on the plea of utilizing them, losing sight of their negative aspects or, conversely, if their positive aspects are not turned to account on the pretext of restricting their negative aspects, it will be impossible to get them to render effective service to socialist construction, nor will it be possible to transform them successfully on socialist lines.

Gradually transforming capitalist trade and industry while utilizing their positive features and controlling their negative ones fully conforms with the dual role they play in the national economy and is the best way to successfully carry out their socialist transformation.

Our Party's policy of transforming capitalist traders and manufacturers along socialist lines, instead of expropriating them, does not negate class struggle but embodies, instead, the principled stand to carry it out in a most thoroughgoing way.

The great leader Comrade Kim Il Sung said:

"Overall socialist transformation and construction in town and country were accompanied by fierce class struggles." (*ibid.*, p. 153).

Generally, the socialist revolution proceeds amidst an acute class struggle, and this is the law-governed process of revolutionary development. The socialist transformation of capitalist trade and industry repre-

sents a deep-going social revolution which radically changes the economic basis and social status of entrepreneurs and traders, so it cannot but involve a severe class struggle.

This class struggle was extremely fierce in our country in particular, because the socialist transformation had to be carried out in an acute situation where US imperialism occupied the half of the country and, together with the south Korean puppet clique, it resorted to aggressive manoeuvrings against the northern half of the Republic.

Meanwhile, since our Party adopted a policy of transforming capitalist traders and manufacturers peacefully, instead of expropriating them, the form of class struggle could not but assume a specific character. Class struggle attendant on the socialist transformation of capitalist trade and industry was unfolded mainly by means of persuasion and education, not by violence.

The form of class struggle based on persuasion and education fully accorded with the policy of remoulding capitalist traders and manufacturers peacefully into socialist working people, instead of expropriating them. The correct definition by our Party of the form of class struggle in the socialist transformation of capitalist trade and industry constituted an important factor making for the smooth progress of this fierce class struggle without any deviation.

THE COOPERATIVE REPRESENTS THE MAIN FORM OF THE SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY

In transforming private trade and industry along socialist lines the formal definition is of important significance in the successful carrying out of this movement. This is all the more so when private traders and manufacturers are not expropriated but peacefully remoulded.

Unerringly laying down forms of the socialist transformation of private trade and industry makes it possible to correctly combine the interests of the state and those of private traders and manufacturers and directly affects the speed of the socialist transformation.

The great revolutionary leader Comrade Kim Il Sung presented a thinking of remoulding private traders and manufacturers as well as handicraftsmen through the cooperative economy of diverse forms, thus originally solving the problem on the basic forms of the socialist transformation of private trade and industry.

The great leader Comrade Kim Il Sung said:

"...we transformed the capitalist traders and manufacturers on socialist lines, together with handicraftsmen, by using different cooperative forms. By joining the producers' cooperatives, the entrepreneurs and traders completely broke with the past when they lived off others, and were transformed into socialist

working people who produce material wealth by their own labour" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 151).

Drawing handicraftsmen into the cooperative economy in building socialism is a familiar, widespread way to transform them. But, our country was the first to transform capitalist traders and manufacturers on socialist lines by using the cooperative economy. This is an original experience.

Coordinate transformation of capitalist traders and manufacturers along with handicraftsmen through the same cooperatives forms the main component of our Party's policy for the socialist reorganization of private trade and industry. Herein lies one of the intelligences of our Party's policy of carrying out the socialist transformation of private handicrafts and capitalist trade and industry in close combination.

The policy which defined the cooperative as the main form of the socialist transformation of private trade and industry is based, among others, on the creative elucidation of the essence and role of the cooperative under the dictatorship of the proletariat.

Our cooperative economy in the transition period basically formed, together with the state-run economy, the socialist economic sector. Therefore, cooperativization was the shortest and surest way for reorganizing the old production relations into socialist ones. The socialist cooperative economy does not represent any intermediate link or a transitional stage in transforming the capitalist factors into socialist ones; with its birth, the transformation ends. Cooperativization does not allow such a practice that a working-class state,

in collaboration with capitalists, assists and nourishes capitalist elements to some extent. In the higher co-operative form the exploitation of the working people is completely abolished and the socialist economic law is brought into an overall operation.

In a word, socialist cooperativization was the way to turn private ownership into socialist one and remould private traders and manufacturers into socialist working people in a most thoroughgoing manner and straight without making any detour.

The policy which defined the cooperative as the main form of the socialist transformation of private trade and industry was also based on the correct consideration of the actual conditions where entrepreneurs and traders were reduced to a status akin to that of small producers. Since capitalist traders and manufacturers were severely impoverished and their status was about the same as that of handicraftsmen or small merchants, they would readily take the co-operative economy dedicated to the socialist transformation of small producers.

Our Party transformed private traders and manufacturers on socialist lines mainly through cooperative economy and, at the same time, opened the door for no small number of them to work at state-run enterprises as workers or office employees.

Our Party's policy of promoting the socialist transformation through cooperative form in the main and other forms and channels clearly showed a new shortest course to remould handicraftsmen, entrepreneurs and merchants, straight into socialist working people.

3) Principles Observed in Socialist Transformation of Private Trade and Industry

For the successful socialist transformation of private trade and industry it is important to establish the principle to be observed in it, along with the correct formulation of the fundamental policy.

Because it enables the Party and the state, the close followers of this principle, to overcome all hues of deviations in carrying out the complicated revolutionary task and correctly lay down specific forms, tempo and stages of the socialist transformation.

The great leader Comrade Kim Il Sung said:

“Adhering strictly to the voluntary principle, the Party admitted handicraftsmen and middle and small manufacturers into various producers’ cooperatives according to their respective trades” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 69).

The voluntary principle is by nature a principle that should be observed without fail in the socialist cooperativization of small-commodity producers. Private peasants and handicraftsmen, as petty proprietors and concurrently as working people, become the ally of the working class in the socialist revolution and a motive force of that revolution. A working-class party and state, therefore, should in no case

employ coercive methods in taking them along to socialism.

In transforming capitalist traders and manufacturers on socialist lines, our Party applied the voluntary principle to them as well as to handicraftsmen. This proceeded from the Party's basic policy of transforming them on socialist lines through cooperative economy, instead of expropriating them. The voluntary principle is fully applicable to capitalist traders and manufacturers since they are incorporated together with handicraftsmen.

The important demand of the voluntary principle is, among others, to strictly guard against coercive methods in cooperativization and conduct this movement according to the free will of private traders and manufacturers. To strictly observe the voluntary principle it is necessary to thoroughly overcome such practices that private traders and manufacturers are forced into the cooperatives because it is a good thing, that their means of production are pooled in a way out of their favour and that they are dictated to organize a cooperative of disagreeable form and size. At the same time, bylaws (rules) and the like of the cooperative, too, should be framed in accordance with their democratic will and the cooperative be developed from the lower form to the higher also according to the voluntariness of its membership.

As the cooperative itself is an organization formed according to the free will of private traders and manufacturers, the voluntary principle is a must for the cooperative movement.

Observing the voluntary principle in the socialist

transformation of private trade and industry, however, in no way means allowing this movement to take its own course. The voluntary principle is diametrically opposed to coercion and, at the same time, has nothing whatsoever to do with spontaneity and tail-behind attitude in the movement.

Having long clung to the private economy, handicraftsmen and medium and small traders and manufacturers are strongly attached to private ownership and steeped in conservatism and other outmoded ideologies. In such conditions it may be an idle fancy to expect them to enter cooperatives of their own accord. History of the cooperative movement shows that the voluntary principle can be successfully applied only when the Party and the state give consistent guidance and assistance.

For the correct application of the voluntary principle it is necessary to increase the political enthusiasm and consciousness of private traders and manufacturers and get them to take an active part in the cooperative movement through tireless politico-ideological work with them and, at the same time, to attach purposefulness to their voluntary movement for cooperativization so that this movement may proceed with full aim and purpose in the direction as indicated by the Party.

Voluntariness of handicraftsmen and capitalist traders and manufacturers cannot be satisfactorily shaped merely by the educational method of explanation and persuasion. They badly need object lesson which demonstrates the advantages of the socialist cooperative economy with live examples.

In the cooperative movement object lesson is the best way to persuade the handicraftsmen and medium and small traders and manufacturers who have long been shackled to the private economy to join cooperatives of their own accord. Object lesson can prove its true worth when the already-organized cooperatives are firmly built up politically and ideologically, economically and technologically to show their substantial advantages over the private economy.

As an important measure to strictly observe the voluntary principle in the socialist transformation of private traders and manufacturers and educate them with the convincing advantages of the cooperative economy, our Party first of all organized cooperatives with handicraftsmen on an experimental basis.

The great leader Comrade Kim Il Sung said:

"In the early days of the transition period, our Party began to set up handicraft cooperatives on a trial basis, and in the postwar period, energetically pushed this programme forward, carrying it out successfully in a brief period" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. VI, p. 316).

The Party's policy of setting up handicraft cooperatives on a trial basis was an intelligent policy because its principal aim was to make full preparations for the forthcoming overall socialist reorganization of private trade and industry by showing the broad sections of private traders and manufacturers, entrepreneurs and merchants in particular, the real advantages of the cooperative economy with effective organization and operation of handicraft cooperatives and getting their functionaries to accumulate expe-

rience in socialist transformation.

It was quite right to have formed handicraft cooperatives first to show private traders and manufacturers the advantages of the cooperative economy with their practical examples. As for individual handicraftsmen, they, unlike medium and small entrepreneurs and merchants, badly wanted cooperativization from the start. Their economic status itself did not allow it to delay. And it is only natural for the Party to show deep concern for the small producers closely following the working class and take them along to socialism.

Thus, the Party and the state organized handicraft cooperatives first and made them quickly demonstrate their superiority to awaken large numbers of individual handicraftsmen by dint of practical examples.

True, handicraft cooperatives cannot become strong or excellent by themselves. For the cooperative economy to become excellent enough to give object lesson to private traders and manufacturers, it must receive an energetic guidance and assistance from the Party and the state.

Indeed, such guidance and assistance had been indispensable to our fledgling cooperatives organized with impoverished handicraftsmen in order to put them on a firm politico-economic basis in a short span of time and bring their advantages into reality.

After forming cooperatives with private handicraftsmen on a trial basis, our Party did all it could to direct and assist them from the outset. While strengthening political work among the masses of erstwhile private handicraftsmen, it gave a systematic

political guidance to the coöperatives, building up the ranks of their cadres and establishing internal order and discipline in their work in accordance with the socialist principle. In addition, it made state organs give every possible assistance, financial, material and technological.

Thanks to the continuous guidance and assistance of the Party and the state and the high political enthusiasm and creative labour of co-op members, the new-born handicraft cooperatives could quickly consolidate themselves organizationally and economically and clearly show their excellence. This acquired a great significance in showing by practical examples the advantages of socialist cooperative economy to those handicraftsmen and capitalist traders and manufacturers who were still outside the cooperatives, wavering or looking askance at the cooperative movement. In fact, when they saw for themselves the advantages of the newly-organized cooperative economy in the incipient stage of the transition period, they came to believe that cooperation alone was the road for them to follow.

The handicraft cooperatives formed on a trial basis in the initial stage of the transition period served as an effective object lesson on the superiority of the cooperative economy and played an important role in rousing the voluntary will of private traders and manufacturers in the socialist transformation.

They also enabled our functionaries to accumulate rich experience and make political, ideological, organizational and economic preparations for the overall socialist transformation of private trade and industry.

And, in the course of making these preparations, our Party could properly lay down the specific forms and sizes of cooperatives and the tempo and stages of co-operativization, which were all suited to our reality.

Our experience confirmed that the voluntary principle was an immovable principle to be observed without fail in the socialist transformation of private trade and manufacture and that for the strict observance of this principle it was important to strengthen the guidance and assistance of the Party and the state to the cooperative economy and clearly show its advantages by practical examples.

As we strictly observed the voluntary principle, we could invariably carry through the Party's policy of transforming capitalist traders and manufacturers on socialist lines along with handicraftsmen, not expropriating them.

2. CARRYING OUT OF SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY

The socialist transformation of private trade and industry represents a complicated and intense revolutionary struggle to radically remould the old economic forms based on the private ownership of the means of production and the people involved in them.

At the same time, this work forms a link in the chain of the overall socialist transformation of the country and is undertaken not separately but in close relation with it. In bringing this complex, difficult work of revolutionary change to success the Party's correct leadership is of last importance.

Under the wise guidance of the great leader Comrade Kim Il Sung our Party solved all problems arising in the socialist transformation of private trade and industry in a unique way to suit our actual conditions, and pushed forward this movement with a strong will and extraordinary revolutionary sweep.

The important things in reshaping private trade and industry along socialist lines were to correctly set forth the stages of their socialist transformation, define specific forms of the cooperative economy, closely combine the transformation of economic forms with

man's remoulding, gradually overcome private trade and industry through competition between them and the socialist economy, and realize the overall socialist reorganization of the old economy by promoting the transformation of private trade and industry in close parallel with the agricultural cooperative movement, another important front of socialist transformation.

1) Correct Definition of the Preparatory and Full-scale Stages of Socialist Transformation

The socialist transformation of private trade and industry can not be carried out all at once but only gradually and progressively from the lower stage to the higher. Unlike the case of expropriating capital by violence, the work of transforming the old economy and remoulding people themselves on socialist lines can be carried out only on a gradual basis through some stages. Therefore, correct establishment of the stages of development of their socialist transformation poses one of the fundamental problems in the strategic and tactical leadership of the Party.

These stages should not be defined arbitrarily from a subjective desire, but in scientific consideration of all subjective and objective factors —the readiness of socio-economic and material conditions, the preparedness of revolutionary forces, etc.

After fully examining the demand of the developing revolution, politico-economic conditions of our

country and the actual state of private traders and manufacturers, the great revolutionary leader Comrade Kim Il Sung lucidly solved the question on the stages of development of their socialist transformation.

The great leader Comrade Kim Il Sung taught:

“With the successful completion of the anti-imperialist, anti-feudal democratic revolution after liberation, the northern half of our country gradually set out on its transition to socialism, and our socialist transformation also began already at that time.

“Before the war, however, the necessary social, economic and material conditions were not yet fully ready, and socialist transformation was only partially carried out. Therefore, the main task was to prepare for it. In our country the socialist transformation of agriculture, handicrafts, capitalist trade and industry was all undertaken on a full scale in the postwar years, and in 1958, was completed almost simultaneously” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, pp. 60-61).

The great leader Comrade Kim Il Sung defined the prewar period of reconstruction as the preparatory stage of socialist transformation and the postwar period as the period of its full-scale enforcement.

In accordance with this, in the first stage of the transition period ranging from 1947 to the time of outbreak of the Fatherland Liberation War the preparatory work for socialist transformation was conducted in the main while partially carrying on the cooperativization of handicrafts. And the overall socialist reorganization of private traders and manu-

facturers including entrepreneurs and handicraftsmen went in full force in the postwar period.

PREPARATORY STAGE FOR SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY

The inception of the period of transition to socialism following the completion of the anti-imperialist, anti-feudal democratic revolution coincided with the start of the preparatory stage for the socialist transformation of private trade and industry in our country. In the preparatory stage the socialist reorganization of private trade and industry was partially carried out while pushing ahead with handicraft cooperation in full measure.

The policy of establishing the preparatory stage and partially undertaking the socialist transformation of private trade and industry was a well-founded one fully conforming with the demand of the developing revolution and the actual conditions of our private trade and industry.

After liberation, revolution progressed at an unprecedentedly rapid speed in the northern half of our country.

The great leader Comrade Kim Il Sung said:

“In the northern half of our country the anti-imperialist, anti-feudal democratic revolution was successfully completed in a year or two following liberation. As a result, the northern half, based on the victory of the democratic revolution, entered the period of gradual transition to socialism” (Kim Il Sung,

Selected Works, Eng. ed., Vol. IV, p. 204).

It was the law-governed course of revolutionary development to gradually turn to the tasks of the transition period as the anti-imperialist, anti-feudal democratic revolution led by the working class went over to the socialist revolution without stoppage.

The most important problem arising in the initial period of transition to socialism was to continually extend and strengthen the socialist economic sector in the national economy and further heighten its leading role while increasing the political force by rallying the broad masses of the people closer around the great leader and the Party.

With the completion of the anti-imperialist, anti-feudal democratic revolution our country came to have, along with the socialist sector with the state-run economy as its basic component, the small-commodity sector consisting of private farming in the countryside and handicraft economy in town and the capitalist sector consisting of urban capitalist trade and industry and the rural rich farmers' economy. In order to successfully solve the economic tasks of the transition period in such conditions, it was necessary to continually raise the leading role of the socialist economic sector by further developing the cooperative economy while definitely ensuring the priority growth of the state-run economy and increase their influence on the old economy to carry out the socialist reorganization of the national economy step by step.

In the prewar period of peaceful construction, however, conditions were yet to be matured for the full-scale socialist transformation of the private

economy. Although the socialist state-run industry developed very rapidly after restoration, its material foundations were not yet solid enough to render a powerful support to the remoulding of the private economy. On the other hand, capitalist trade and industry engaging in the domains outside the reach of the state-run economy, played a supplementary role in advancing the economy and improving the people's living. In particular, the toiling peasants' land ownership newly established through the Agrarian Reform greatly helped heighten the zeal for production of millions of peasant masses who had long been yoked to the relationship of feudal exploitation and boost agricultural production. Meanwhile, the private owners at the time were not awakened politically so much as to accept socialism at once.

Taking all these conditions into consideration in the initial stage of the transition period, our Party did not raise the slogan for the full-scale socialist reorganization of the national economy in general. A most reasonable measure suited to the situation and acceptable to the masses in the prewar period of peaceful construction was to partially carry out socialist transformation, to begin with, in a limited domain where conditions for it were ripe, while preparing for the full-scale stage.

It was the domain of the private handicraft economy that should be reorganized in the preparatory stage of the socialist transformation of private trade and industry. The handicraft economy was small in scale and because of its economic and technological features it required no great material and technologi-

cal support on the part of the state. So, it was fully possible to start its transformation in the early days of the transition period. On the other hand, capitalist trade and industry were perking up at the time. Handicraft was no match for them. In consideration of this, the Party and the state advanced the policy of incorporating the handicraft economy first in the preparatory stage and energetically pushed this work forward.

Our handicraft cooperative movement started under the different conditions from other countries. Those countries which had undergone the normal development of capitalist relations had the tradition of and experience in cooperative movement. When power was placed in the people's hands, they could conduct the cooperative movement in such a way as to reorganize the existing cooperatives to suit the new system while turning to some account their assets taken over from the old society. In our country, too, as the capitalist relations had developed in the past, various forms of cooperatives, though small in number, had been organized in the domains of production and circulation. But they were all short-lived under the vicious colonial rule of and fascist suppression by the Japanese imperialists, plus the pressure of Japanese monopoly and comprador capital. Thus, after liberation our country had to tackle the cooperative movement all afresh from scratch, with neither experience nor asset. This made it imperative for the Party to keep, from the beginning, the movement in its firm grip and render it a specific guidance.

Launching the movement the Party adopted, on

September 1, 1947, the decision of the Presidium of its Central Committee, which clearly defined the purpose of producers' cooperatives to be organized, their membership, their organizational principle and scope, etc. Thus, in September 1947, for the first time in our country producers' cooperatives (called producers' associations at that time) were organized as the voluntary organizations of handicraftsmen and domestic industrialists in town and country, and this marked the start of a splendid history of handicraft cooperatives.

With the organization of the producers' cooperatives, private handicraftsmen who had long been confined to the private economy were embraced in the collective economy free from the exploitation by capital and entered the road of new life with a firm step. The organization of producers' cooperatives also guaranteed favourable conditions for production and sale and opened the possibilities for improving economic management and increasing production. At first, they were not many in number, but marked a big change in the life of private handicraftsmen.

What our Party was mainly after in the handicraft cooperative movement in the preparatory stage of the socialist transformation of private trade and industry was to demonstrate the superiority of the producers' cooperatives by organizing them on a sound class basis and strengthening them organizationally and economically as early as possible.

Since handicraft cooperatives were formed on a trial basis, their qualitative make-up would exercise a determined effect on their character and future de-

velopment. In any society the character of the cooperative economy is decided by the class composition of cooperative membership along with influence brought by production relations predominant there. Under the people's regime, too, producers' cooperatives can be brought more straight toward socialism only when they are organized on a sound class basis.

In organizing producers' cooperatives on a trial basis, the Party and the state defined as their membership the producers such as handicraftsmen and home manufacturers in town and country and precluded in principle entrepreneurs and traders. They established an organizational principle that even in case, though isolated, the latter wished in earnest to enter cooperatives, they had to be admitted only through the approval of the central leading organ. In fact, when the cooperatives were newly organized, some speculators and profiteers tried to creep into them out of their greed for gain. But, thanks to the strict organizational principle adhered to by the Party, the cooperatives could make a steady progress on a sound basis.

After building up the ranks of co-op members, the Party and the state devoted a great attention to strengthening the cooperatives organizationally and economically. What was of prime importance here was to correctly define the form and size of producers' cooperatives and rationally organize production and labour.

It was out of place to set up a perfect form of socialist cooperatives when there was no little influence of the capitalist economy and the handicraftsmen were still short of political awareness. In the preparatory

stage, therefore, cooperatives were organized in the way that private ownership of invested funds and spots was left intact and in disposing of the dividend 40 per cent of it was set aside as the common fund, the rest 60 per cent divided into halves—one half going to distribution according to the amount of invested funds and the other half to that according to the work done. A producers' cooperative distributing its dividend according to the work done and investments was not a completely socialist economic form. Nevertheless, in the preparatory stage where the co-operative movement was conducted on a trial basis it represented a reasonable form which was readily acceptable to many handicraftsmen and helped promote the movement.

Considering that cadres had low qualifications and lacked experience and that cooperatives were short of material and technical means, we made sure that co-operatives were not organized too large in the preparatory stage. In organizing production, they were made to use existing production installations, though dispersed, as they were, set up joint workshops according as conditions were ready, and not to organize collective labour at fixed places unreasonably. At the same time, the Party gave heed to increasing state assistance to the fledgling cooperatives. Although everything was short at the time, the state provided them with funds and raw and other materials, and gave a helping hand to their management. As a result, the new-born producers' cooperatives were reinforced organizationally and economically within a short period.

Another important problem raised by the Party in the cooperative movement of handicrafts in the preparatory stage of socialist transformation was to conduct it first in rural areas.

The first reason was that country was affected by capital much less than town and the cooperatives already formed in the domain of circulation in the rural areas had to be turned to good account. At that time, in our country capital's influence over rural districts was not big because capitalist trade and industry were concentrated in towns, and the rich peasant economy did not amount to much.

Moreover, the consumers' cooperatives which had come into being in May 1946 enlivened their business mainly in the countryside, and the cooperative credit organ was active to give peasants monetary assistance. Both of those cooperatives as new buds of cooperation were demonstrating the worth of the cooperative economy in due course by practice in the rural areas. It was clear that organization of producers' cooperatives in the rural areas with consumers' and credit cooperatives would cement their mutual relations and speed up the development of the cooperative economy.

Such favourable socio-economic conditions of the countryside represented the chief factor in tackling the handicraft cooperative movement first in the rural districts.

The second reason was to provide the producers' cooperatives with better conditions for their operation. Industry still leaving much room for development at the time, producers' cooperatives had to turn mainly to agricultural production for their raw ma-

terials, and most of their products, too, had to be consumed in rural areas. It was reasonable, therefore, to start the cooperative movement from rural areas as it would bring the cooperative production close to the source of raw materials and consuming places. Moreover, the consumers' cooperatives in the countryside would immensely favour the smooth management of producers' cooperatives. The former would purchase the latter's products in time while providing them with raw materials.

All this clearly proves the validity of our Party's policy that involved beginning the handicraft cooperative movement from rural areas.

In the preparatory stage of socialist transformation the Party and the state also paid due attention to placing the handicraft cooperative movement on a sound basis from the start by timely overcoming deviations in this movement.

One of such deviations manifested itself in the fact that the organization of producers' cooperatives was left to the mercy of spontaneity, allowing some impure elements to enter the cooperatives in violation of the organizational principle and thus muddling the ranks of cooperative membership. In the first days of the cooperative movement, an energetic organizational and political work among handicraftsmen was neglected in some localities under the pretext that cooperativization was a mass movement based on the voluntary will of small producers. Worse still, some vicious profiteers found their way to cooperatives as they were formed in a haphazard way in violation of the organizational principle set forth by the Party.

About the reactionary acts of speculators and profiteers, the great leader Comrade Kim Il Sung said:

"Holding their own interests dearer than the interests of the country and the nation, they have an antipathy to the democratic reforms carried out in north Korea and are none too pleased with the rehabilitation and development of the national economy. For the development of the national economy constitutes a blow to their profiteering acts. This being the case, they set themselves desperately against the progress of our society and the development of the national economy so as to continue with their acts of speculation and profiteering and viciously squeeze the working people" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. I, p. 184).

Speculators and profiteers were reactionary elements who exploited stealthily the working people in gross violation of the laws and order of the state and tried to demolish the cooperative movement. For the smooth development of the cooperative movement it was necessary to foil their obstructive manoeuvrings and prevent them from slipping into the cooperatives. But, they could steal into some cooperatives to squander their property and cause confusion in their management and operation. They sullied the pure ranks of cooperative membership.

Another deviation revealed in the preparatory stage was impetuosity. It found expression mainly in excessively enlarging producers' cooperatives without reason, setting up collective workshops, heedless of actual situation, by amalgamating equipment owned by private handicraftsmen and in turning only to the

assistance from the state. If this deviation had not been rectified opportunely, it would have been impossible to strengthen the newly-organized cooperatives and show the merit of the cooperative economy to the handicraftsmen and capitalist traders and manufacturers at large.

In order to overcome such deviations our Party laid down a right orientation and proposed concrete measures in the decisions of the meetings of the Presidium of its Central Committee which were held in December 1947 and in June and December 1948. Thanks to the correct guidance of the Party, the deviations and defects revealed in the first days of the preparatory stage were rectified in time and the handicraft cooperative movement made successful headway. In the period from 1947 to 1949 the number of producers' cooperatives swelled over 20 times and their membership 77 times. Each cooperative also showed a steady growth in scale.

The tasks set forth by the Party in the preparatory stage of the socialist transformation of private trade and industry were successfully fulfilled, and in this process a series of valuable experiences were accumulated.

First, once society enters the period of transition to socialism, the socialist transformation of private trade and industry should be started to meet the requirement of the law of socio-economic development, but in its initial period it should be partially carried out on an experimental basis in the domain of handicrafts which are less complicated than capitalist trade and industry.

Second, in organizing the handicraft cooperative movement on a trial basis, it is rational to begin it from the favourable countryside where the influence of capital is weaker than in town and the cooperative economy can establish close relations with the private peasant economy.

Third, in consideration of the economic situation and the political awareness of handicraftsmen in the preparatory stage it is desirable that producers' co-operatives take a rather low form and their size is not large.

Results and experiences attained in the preparatory stage served as an important asset for the forthcoming socialist transformation of private trade and industry.

CORRECT TIMING OF THE FULL-SCALE SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY

The socialist transformation of private trade and industry in our country, starting from the initial period of transition, proceeded in the prewar days of peaceful construction and then even during our people's great Fatherland Liberation War. In those period it was partially undertaken mainly in the domain of handicrafts.

It was not until the postwar period that this movement entered the full-scale stage in the domain of private trade and industry including handicrafts.

As in other revolutionary struggles, it is a strategic and tactical matter of fundamental significance to

seize the right time for the socialist transformation of private trade and industry, for its full-scale stage in particular, and put up the militant slogan for it in time.

The great leader Comrade Kim Il Sung said:

"Private trade and industry were successfully transformed along socialist lines primarily because our Party seized the right moment when conditions were favourable and made the best use of them" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 354).

Correct timing of the full-scale socialist transformation of private trade and industry was an important problem affecting its success. If you tackle it too early, that is, before conditions are created for it, you will fail to receive active support of private traders and manufacturers, and you will inevitably resort to a coercive method in disregard of their voluntary will. On the contrary, if you start it too late, it will impoverish most of the private traders and manufacturers while filling the purse of some entrepreneurs and merchants, and thus create unnatural complications in the way of transformation.

Basing himself on the scientific analysis of our postwar revolutionary situation, the great revolutionary leader Comrade Kim Il Sung considered the postwar period most appropriate to the socialist revolution and advanced the wise policy for the full-scale socialist transformation of private trade and industry.

Such consideration was based firstly on the changed objective conditions in which the leading role of the socialist economy was greatly enhanced while all

private traders and manufacturers suffered a severe decline and ruin due to the war and secondly on the fact that they themselves urgently demanded the socialist transformation and a powerful revolutionary force was prepared for it.

In the postwar period, due to the serious war damage our private traders and manufacturers were not in a position to keep up their business any longer. Our handicraft economy, small and weak from the outset, was terribly destroyed by the indiscriminating bombing of the US imperialists during the war and thus further fragmentized. Handicraftsmen could neither rehabilitate their economy nor improve their living conditions, unless they amalgamated their economy and relied on the assistance of the state.

The case was pretty much the same with capitalist traders and manufacturers. They assumed no big share in the national economy of our country from the start. In 1949 the private capitalist economic sector held 7.8 per cent of the gross industrial output value and private trade (petty and capitalist trade) 43.5 per cent of the total retail commodity turnover. Their plight was more sorry in the postwar period: In 1953, immediately after the war, the capitalist economy shared only 2.9 per cent of the gross industrial output value and private trade 32.5 per cent of the total retail commodity turnover.

In addition to their shrinkage in the national economy in the postwar period, capitalist trade and industry engaged in the domains of more secondary importance, and their economy was fragmentized further still. In the early postwar period, capitalist pro-

duction came mainly from small-scale rice mills, smitheries, rubber factories and the like. In 1957 the private enterprises which employed over five workers accounted for 14 per cent of the total, the vast majority of the entrepreneurs hiring less than five.

As for capitalist trade, wholesalers were hardly to be seen and most merchants were so impoverished they could not afford to have stores of their own and had to carry on trade on their own labour with the help of their family members.

In the final analysis, our capitalist trade and industry were severely destroyed due to the war, and in the postwar period quite a few entrepreneurs and merchants were actually reduced to the status of a handicraftsman and petty trader. Such being the case, they could hardly shore up their ruined economy and improve their livelihood unless they rested on the assistance of the state and the socialist economy, pooled their means of production and funds and worked together.

In contrast, the socialist economy rapidly increased its influence in the postwar period.

The great leader Comrade Kim Il Sung said:

"Moreover, as the process of agricultural cooperativization was accelerated and the role of the state-run industry and the socialist trade enhanced, the business activities of the private merchants and manufacturers were greatly restricted" (*ibid.*, p. 355).

The successful promotion of agricultural cooperativization and the marked enhancement of the leading role of the state-run industry and socialist trade formed the important economic factors favouring the

full-scale transformation of private trade and industry in the postwar period.

Our state-run industry, reconstructed and developed at an amazingly rapid pace after the war, laid material foundations powerful enough to assist in the socialist transformation of the old economy. Socialist trade which had already seized wholesale excelled private trade completely in retail too after the war.

The acceleration of agricultural cooperativization exerted a great influence on the socialist transformation of private trade and industry, because it blocked their channels for raw materials, leaving them in the lurch. Before agricultural cooperativization private traders and manufacturers carried on their business mainly by processing rice, fruit, meat and so on which they bought in the countryside. However, with the cooperation of the individual peasant economy and the establishment of a unitary state system for the procurement of agricultural produce, they could not get raw and other materials as they wished.

Now, losing both the route of raw materials and the market for their products due to agricultural cooperativization and due to the predominant state-run industry and socialist trade, private trade and industry could not hold on to their economy any longer. This implied that objective conditions were created in the postwar period for the full-scale transformation of private trade and industry.

Also, the subjective forces were fully prepared for this work in the postwar period.

The great leader Comrade Kim Il Sung said:

"The Party's great prestige among the popular

masses, the unity of people of all walks of life around it and the masses' high political consciousness proved to be the most important guarantee for the successful implementation of socialist transformation" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 71).

As the great Juche idea teaches us, the masters of the revolution and the work of construction are the masses of the people and they are also the motive force of the revolution and the work of construction. Every revolutionary struggle can win a sure victory only when the broad masses take part in it as masters, keenly feeling its necessity, and the revolutionary forces are mighty enough to outdo the counterrevolutionary forces. Any socio-economic reform, however progressive, cannot be successful unless those who carry it out wage an energetic struggle with firm determination, rallied closely around the Party.

In the postwar period in our country the subjective forces were fully prepared for the transformation of private trade and industry along socialist lines.

The Workers' Party of Korea which had overcome the grim trials of the Fatherland Liberation War was grown and reinforced in the postwar period into the general staff of revolution more seasoned and experienced, into a militant contingent in which all members were united steel-like around the great leader Comrade Kim Il Sung. Through the long revolutionary struggle and the process of construction, particularly through the war fought against US imperialism, our people were politically awakened and trained into an invincible revolutionary force. Our handicraftsmen

and most entrepreneurs and traders had not only taken part in the democratic revolution but approved our Party's policy of socialist revolution.

While the revolutionary force supporting the socialist transformation of private trade and industry was definitely strong, the force opposing it was very weak.

As can be seen, life itself urgently demanded the transformation of private trade and industry and the revolutionary forces were fully prepared to carry it out. Such was the postwar period, and it was most opportune for their full-scale socialist transformation. If we had missed this chance when all conditions were ripe, and tried to remould private traders and manufacturers after they accumulated some assets, their transformation would have taken a long time and faced a lot of troubles. Furthermore, our revolution and construction would have been greatly impeded if we had left them intact, instead of transforming them.

As our Party considered the postwar period best fit for the overall socialist transformation of private trade and industry and put forward the militant slogan for it in time, we could establish the undivided sway of the socialist economic sector in the national economy and successfully drive forward the socialist construction.

2) Fixation of Forms of the Cooperative Economy

In the socialist transformation of private trade and industry cooperative forms pose an important problem which directly affects the mode of pooling the means of production and distributing incomes and the future of the incorporated traders and manufacturers.

Only when they are correctly laid down can the common interests of society be closely combined with the private interests of various strata of traders and manufacturers, the voluntary principle be strictly observed in the cooperative movement and their socialist transformation be undertaken undeviatingly.

In solving the problem of cooperative forms, our Party paid serious attention to adopting ones much helpful to remoulding private traders and manufacturers into socialist working people.

The great leader Comrade Kim Il Sung said:

“An important question in their socialist transformation is how to draw those who lacked the will to work into productive labour and transform them into members of the working class” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 356).

The remoulding of private traders and manufacturers into socialist working people stemmed from our Party's firm belief and standpoint that all people, save a tiny handful of confirmed reactionary elements, could be revolutionized and working-classized and

from its consistent policy of leading private traders and manufacturers up to socialist, communist society, instead of expropriating them.

To do this, they should be remoulded into socialist working people in the stage of the socialist revolution, while their private economy is reorganized into socialist one. The shortest and most reliable way for transforming private traders and manufacturers as well as merchants who lack the will to work and are not steeled in labour into socialist working people is to get them to do collective labour for production. Only through worthwhile productive labour for the benefit of society and the people can the erstwhile private traders and manufacturers rapidly get rid of all hues of their obsolete ideologies, arm themselves with the revolutionary thought of the working class and successfully transform themselves after its pattern.

In laying down cooperative forms our Party and the state devoted a deep attention to creating effective ones for getting the co-op members to do productive labour, with a prospective view to working-classizing them, that is, to turning them into true socialist working people. This was the fundamental stand adhered to in defining cooperative forms in our country.

Besides, mindful of the component features of our private traders and manufacturers, our Party and state took full account of diverse and flexible ones in deciding the cooperative forms. Our private traders and manufacturers were somewhat different from one another in their political consciousness and property status. Viewed from their social status, they were classified into handicraftsmen, petty merchants and capi-

talist entrepreneurs and traders, and their categories of business also varied. This situation required that cooperatives be not confined to one or two stereotypes but assume various forms commensurate with their specific conditions.

With this in view, we first divided them into two large groups, production and circulation, and then laid down specific cooperative forms for each group. Cooperative forms in the domain of circulation were defined in such a way as to gradually increase the proportion of production.

FORMS OF PRODUCERS' COOPERATIVES FOR THE TRANSFORMATION OF HANDICRAFTSMEN AND INDUSTRIAL ENTREPRENEURS

The forms of our cooperatives engaging in production underwent a change with the year 1956 as a demarcation.

Until 1956 there were two forms of producers' cooperatives. This reflected the then actual conditions where the co-op members were mostly private handicraftsmen and many capitalist entrepreneurs were still outside cooperatives.

The two forms of producers' cooperatives were represented by one lower form where a co-op member got his share according to the amount of investment and the other higher form where the dividend was not paid according to the amount of investment. The higher form was again divided into two—one where some

means of production remained private ownership and income was distributed according to the amount of work done, and the other where all means of production were placed under cooperative ownership and income was distributed according to the amount of work done.

As seen above, formerly, the forms of producers' cooperatives were differentiated by simple factors and the dividends, too, were distributed in a comparatively simple manner. This was because those who joined the cooperatives at that time were impoverished handicraftsmen in general and there was no big disparity in their property status, and their investments were not large and rather even.

In the period when the cooperative movement was yet to be widely waged, such cooperative forms served the purpose. However, from the time the cooperative movement made brisk headway and particularly capitalist entrepreneurs began to join producers' cooperatives, those cooperative forms became inconsistent with new conditions.

Our Party fully grasped the demand of socialist transformation in the new stage and, on the basis of the experiences accumulated in the cooperative movement, defined the new forms of producers' cooperatives, attaching due importance to this problem. In its decision in 1957, the Presidium of the Party Central Committee reviewed the process of the past handicraft cooperative movement, set forth the tasks of further expanding and strengthening the ranks of co-op members and speeding up the socialist transformation in

towns, and clearly defined the three forms of producers' cooperatives.

The first form was the producers' cooperation team which embraced extremely impoverished petty producers; it was the bud of the socialist cooperative economy which got private handicraftsmen to have a taste of cooperativization. Here the production tools and funds of its members were not pooled and placed under common ownership, and their economic activities were basically done individually under each member's charge. Its features as the collective economy could be found only in the fact that its members helped each other in buying raw and other materials and selling products and established a small amount of common funds. In addition, the producers' cooperation team collectively organized cultural and educational work and the exchange of experiences for its members and took a step to prevent unnecessary competition in economic activities.

In the producers' cooperation team the problem of raw and other materials was solved in principle by the team itself or its individual members themselves. It could get some idle materials from higher forms of producers' cooperatives and waste products from state-run enterprises.

Income distribution followed a concise procedure. Its members first rendered an obligatory payment to the state out of their income. Only a part of their net income could be set aside as a limited common fund according to their agreement. This fund could be expended on relieving those members who became unable to run their economy owing to accidents or on

giving loans for economic management. It also could be spent on organizing collective cultural and educational work for the members and installing processing equipment of common use. It had some bearing on laying down the material basis for the development of the collective economy.

Producers' cooperation teams were organized with scattered poor handicraftsmen, home manufacturers and odd-jobbers engaging mainly in repair and other public services according to their respective trades and settlements. They worked at stationary or itinerant workshops.

The producers' cooperation team was the lowest form of producers' cooperative, but it could be developed into a higher form by accustoming its membership to the collective economy in the course of each other's partial assistance in purchasing raw and other materials and selling products, partially-conducted collective work and the accumulation and utilization of some amount of common fund, and by gradually consolidating its economic foundation.

The second form of producers' cooperative was the semi-socialist form in which the means of production and funds remained the private ownership of handicraftsmen, medium and small capitalist traders and manufacturers and odd-jobbers but were pooled in form of investment to organize the collective economy, and income was distributed according to the amount of investment and work done.

The great leader Comrade Kim Il Sung said:

"Giving priority to the consolidation of the handicraftsmen's production cooperatives, entrepreneurs

were gradually incorporated into the cooperative economy; here, in particular, the semi-socialist form of the cooperative economy was broadly applied" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 69).

The second form of producers' cooperative was a semi-socialist form which was widely applied in incorporating handicraftsmen and, particularly, medium and small industrial entrepreneurs, while strictly observing the voluntary principle.

Here the collective economy is run with the privately-owned means of production and funds which were invested by handicraftsmen and medium and small industrial entrepreneurs. In case a co-op member withdrew from the cooperative his investment was to be compensated either at once or gradually according to his demand. In placing the privately-owned means of production under common ownership, they are bought by a cooperative at appraised value one by one as its common funds increase. In this way, private ownership is turned into common ownership in the end.

In this form all work is conducted on a collective basis so as to display the merits of divisional and co-operative labour and each member is given an assignment suited to his level of technique and skill. As for the income of the cooperative, a part of it is set aside, to begin with, for productive expenditure and various payment to the state, another part goes to the common fund and to the public and cultural fund and the rest is distributed according to the amounts of investment and work done. Distribution according to the quantity and quality of work done holds an over-

whelming proportion, and that according to the amount of investment a limited portion defined by the regulations of the cooperative. If a member fails to put in the required number of work-days, he is excluded from distribution according to the amount of the means of production he invested, and he only gets a share according to work done. But an exception is made when he fails to work owing to a lingering illness and other unavoidable circumstances.

The second form of the producers' cooperative carried on all its economic activities, both production and marketing, under the unified national economic plan.

As can be seen, the second form assumed a semi-socialist character, retaining some private economic phases such as private ownership of the means of production and granting of unearned income, but carrying on most of its economic activities on a socialist principle. It was a transitional form which could be gradually developed into an entirely socialist one by getting the handicraftsmen and capitalist entrepreneurs, who had long clung to the private economy to experience, though partially, the advantages of the collective economy and by continually expanding and consolidating the cooperative economy.

The third form was a completely socialist economic form in which all means of production were brought under the common ownership of the cooperative and economic activities conducted on a socialist principle alone. Here the investments by individual members bear no share and the income is distributed only according to the quantity and quality of work done.

The third form of the producers' cooperative con-

ducts all its economic activities on a planned basis and steadily increases its common fund, that is, its economic assets with the expansion of production. This common fund is spent on the renewal and expansion of production equipment, the mechanization of production processes, the construction of dwelling houses and cultural facilities, etc., thus playing an important role in the expansion and development of the cooperative.

The organization of the third form meant that the private handicraft and capitalist economies completely turned into the socialist economy and the private owners became honourable socialist working people.

ORIGINAL FORMS OF COOPERATIVES FOR TRANSFORMING TRADERS INTO PRODUCERS

For the successful implementation of our Party's basic policy of transforming traders into socialist producers, it was important to define specific cooperative forms for them while intensifying their ideological education.

Only through persistent practical struggles was it possible to remould the private traders, who lacked the will to work and had long been bent on intermediary exploitation in commodity circulation, into socialist working people engaging in production with their own labour.

This being the case, how to practically organize the cooperative economy posed a basic problem in accelerating the transformation of private traders.

The great leader Comrade Kim Il Sung proposed such specific forms for them as marketing and producing-marketing cooperatives, thus providing a most effective means for the transformation of private traders into socialist producers.

The great leader Comrade Kim Il Sung said:

"In order to transform traders along socialist lines, marketing cooperatives or production-and-marketing cooperatives were formed, and they were later reorganized into producers' cooperatives by gradually increasing the proportion of productive activities they undertook" (*ibid.*, p. 69).

Both marketing and producing-marketing cooperatives were transitional forms to be developed into producers' cooperatives and, viewed from formal development, the latter was higher than the former.

The marketing cooperative was a lower form where ultra-petty traders were incorporated, to begin with. Here main stress was put on joint marketing, though production and processing of goods could be partially undertaken. In short, it was a preparatory form to go over to the producing-marketing cooperative.

The producing-marketing cooperative, as its name denotes, performed functions of both production and marketing though their proportion differed from cooperative to cooperative. Here the ratio between production and marketing was not immutable, but in any case the cooperative could develop only toward the course of increasing its productive function.

In the cooperative traders got gradually accustomed to productive labour and raised their skill, while

the production equipment gradually increased as well. As the proportion of production grew higher and the co-op members had an increasing passion for it, the producing-marketing cooperative went over to a producers' cooperative devoted to production.

The organization of producing-marketing cooperative was best fit for the actual conditions of our private trade. In our country where capitalist trade had been backward from the outset and further fragmented at that due to the war, the bulk of our traders did not confine themselves to marketing alone but produced or processed various goods at home. Of course, such production and processing were their secondary activity, but they had to do it to carry on their business. Our traders with such specific features could readily accept the producing-marketing cooperative and really welcomed it.

In fact, the greater part of our private traders organized producing-marketing cooperatives straight without passing through marketing cooperatives and gradually expanded the productive function of their cooperatives to go over to producers' cooperatives.

Since the shift of a producing-marketing cooperative to a producers' cooperative devoted to production was a course of change, it could not come of its own accord.

The great leader Comrade Kim Il Sung said:

“Increasing the leading role of state-run industry and socialist trade was decisive to transforming the producing-marketing cooperatives engaged both in production and sale into producers' cooperatives en-

gaged only in production” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 356).

Increasing the leading role of state-run industry and socialist trade was decisive to speeding up the process of switching producing-marketing cooperatives to producers' cooperatives by economic methods, not by coercive methods. Producing-marketing cooperatives' function of marketing was significant only in the condition that state-run industry could not afford to fully meet people's demand for commodity, and socialist trade failed to assume complete control of the home market. However, when state-run industry produces mass consumption goods in plenty and socialist trade develops on a scale large enough to keep even retail trade in its full grasp, there is no room for the producing-marketing cooperatives to conduct marketing for themselves. In this condition they have no alternative but to sell their products to state wholesale agencies. The state trade network covering every nook and corner and selling various goods at low state price, the independent marketing activities on the part of producing-marketing cooperatives only caused such irrationality as the increase of trading cost and stockpiles of goods. This shows that increasing the leading role of state-run industry and socialist trade is the best way to overcome the marketing activities of producing-marketing cooperatives by economic methods.

Thus, in our country, by drastically increasing the leading role of state-run industry and socialist trade, the producing-marketing cooperatives could be suc-

cessfully turned into producers' cooperatives, strictly observing the voluntary principle.

GUIDANCE IN SELECTION OF COOPERATIVE FORMS

The establishment by the Party of the three forms of producers' cooperatives and the specific forms of marketing and producing-marketing cooperatives does not mean the complete solution of the problem on cooperative forms in the socialist transformation of private trade and industry. This problem can be completely solved only when private traders and industrialists choose forms suited to their actual conditions and the lower form develops into the higher one as conditions are created for it.

It is by no means an easy job to let private traders and manufacturers themselves choose cooperative forms suited to their actual conditions. If this work is left to the mercy of spontaneity, it may give rise to various deviations, seriously affecting the cooperative movement.

The Party and the state not only clearly defined the specific cooperative forms but delved deep in the cooperative movement and properly led private traders and manufacturers to choose the forms suited to their actual conditions, thus guaranteeing the success of this work.

In guiding this work, the greatest attention was devoted, among others, to getting the voluntary principle strictly observed among private traders and manufacturers.

Their attitude toward the cooperative movement is by no means abstract but very practical and concrete. Even in case they support the cooperative movement in general, they weigh everything and feel very nervous about how privately owned means of production and funds will be disposed of, how income will be distributed, that is, what forms of cooperatives they should join. Therefore, to make them choose cooperative forms of their own accord may be the key to the strict observance of the voluntary principle throughout the socialist transformation of private trade and industry.

In directing the selection of cooperative forms, the Party and the state had to overcome this or that deviation from the voluntary principle.

One of the main deviations revealed in this work was a Rightist one which fostered spontaneity and attached undue importance to the private interests of some well-to-do elements.

This deviation was manifested first of all in clinging to the lower form alone, alleging that cooperatives must go up, rung by rung from the lower to the higher.

It was a wrong view coming from the ignorance of the essence of the voluntary principle to think that the lower form should be a basic form in the incipient period of the cooperative movement and that cooperatives must develop from the lower form to the higher step by step.

The great leader Comrade Kim Il Sung said:

"...some comrades consider that in organizing co-operatives they must go step by step from the first

form to the second and then to the third. It is wrong to think that they must advance thus like pupils in school who are promoted from the first grade to the second and from the second to the third" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. I, p. 491).

Applying the voluntary principle in choosing co-operative forms does not mean indiscriminately imposing either the higher form or the lower on private traders and manufacturers, but making them choose them according to their voluntary will. If the private traders and manufacturers are highly awakened, either the third form can be organized from the start or the second form be adopted first to go to the third. On the contrary, when their qualifications are weak, the lowest form can be organized at the beginning to go to the higher step by step as requisite conditions are gradually ripe. Either this or that case depends on the political level and determination of private traders and manufacturers. The essential requirement of the voluntary principle is to make private traders and manufacturers who will be masters of the co-operative economy choose the forms of their own accord, instead of imposing any form upon them.

What was particularly important in formal selection was to overcome a tendency to confuse purposeful development whose stages were established, taking the cooperative movement as a whole, with so-called "gradation" and "successiveness"

The socialist transformation of private trade and industry cannot be carried out all at once but should be gradually promoted stage by stage. It is because this movement embraces different sections of private

traders and manufacturers and their approach toward the movement also varies. But, choosing cooperative forms is another problem. Here, the higher form can be chosen from the beginning and in this case neither stage nor successiveness is needed.

In fact, in our country higher forms of cooperatives could be organized from the initial period of the cooperative movement, because the democratic socio-economic reforms were thoroughly carried out and private traders and manufacturers were steeled and awakened politically in the course of the development of revolution.

The argument that the lower should be the basic form in the beginning and then successively go over to the higher was the manifestation of a dogmatist attitude of ignoring the country's actual conditions.

While intensifying the education in the Juche idea among private traders and manufacturers, the Party and the state brought home to them the Party's stand of principle in regard to formal selection and rectified the deviations revealed.

Another Rightist deviation revealed in choosing cooperative forms was that well-to-do people tried to set up the lower form of cooperatives exclusively for themselves with an eye to keeping as little common fund as possible in building cooperatives.

To establish the lower form of cooperatives exclusively with well-to-do elements and maintain them for long ran counter to the fundamental aim of the cooperative economy which was organized to achieve common development with united efforts; it was also a harmful tendency, for it would prevent cooperatives

from developing on a sound class basis. More, insisting on raising a small amount of common fund to make a duck and drake of earnings represented a serious deviation which would weaken the material foundation of the cooperative economy and prevent its advance toward socialism.

These deviations resulted, in the final analysis, from the penetration of bourgeois influence into the cooperative movement.

Foreseeing such deviations our Party restricted the proportion of capitalists in the make-up of every cooperative, so that it did not exceed the fixed limit and set up a clear-cut standard for raising a common fund at every form of cooperatives. As a result, cooperatives could be saved in time from falling into the hands of capitalists, by thoroughly exposing and rectifying the practices which were against the standard.

In selecting cooperative forms, such a practice was also revealed among some traders as to rest satisfied with the organization of marketing cooperatives, blinded by their marketing activities or try to unilaterally increase the marketing function at producing-marketing cooperatives.

The inclination of private traders to maintain long their marketing cooperatives was the revelation of the proclivity inherent in them; it might bear a negative result of holding up their remoulding into socialist working people.

As was clarified by our Party, both marketing and producing-marketing cooperatives represent the transitional forms which aimed at gradually leading

private traders to producers' cooperatives. Keeping them in those forms of cooperatives, it was impossible to transform them into real socialist working people. Organizing those cooperatives, therefore, the Party and the state exercised rigid control over marketing activities from the beginning and, at the same time, made cooperatives separately go over to producers' cooperatives without delay as the conditions were ripe.

Alongside Rightist deviations, in choosing co-operative forms, there also appeared a "Leftist" deviation. It could be seen, among others, in the attempt to impetuously and rashly set up the higher and larger form of cooperatives alone.

This impetuosity as another deviation against the voluntary principle was the manifestation of subjectivism which did not take into account the private traders and manufacturers' level of political consciousness and objective reality. This deviation appeared much mainly in the period when the socialist transformation of private trade and industry was nearing completion, and it resulted from being carried away by the success attained in the cooperative movement.

The tendency to seek the higher form only would naturally hinder the cooperation of those capitalist traders and manufacturers, rich ones in particular, who were still outside the cooperative economy. In fact, some capitalist traders and manufacturers, while supporting cooperatives, held back from entering the higher ones at once.

Cooperatives of excessively large size, too, would be detrimental to the growth of production and the

normalization of management and operation in the conditions where the material and technical basis of cooperatives was weak and cadres' qualifications were not high.

The Party and the state, therefore, made a point of strictly observing the voluntary principle even in the last stage of the transformation of private trade and manufacture and guarding against the hasty organization of the higher and larger form of cooperatives alone.

Another "Leftist" deviation was manifested in the fact that the means of production of private traders and manufacturers placed under common ownership were not compensated and distribution according to investments was not made appropriately.

Since our Party adopted the policy of not expropriating private traders and manufacturers, it should be a must to compensate the means of production when they were pooled. Nevertheless, some people, fascinated by the successful advance of the socialist revolution, committed such an error of not compensating the means of production in violation of the Party's principle or of paying for them at very low value. There was also a tendency to ignore distribution according to investments in the second form of producers' cooperatives, while laying undue emphasis on the implementation of socialist principle. These represented a negative factor encroaching upon the interests of capitalist traders and manufacturers and dampening their creative initiative.

We remedied these tendencies in time and let private traders and manufacturers choose coopera-

tive forms to their liking. We could prevent every possible deviation in the cooperation of capitalist traders and manufacturers in particular.

In guiding the selection of forms the Party and the state also had to combat the tendency to draw individual traders uniformly into cooperatives engaged solely in production, in disregard of their desire. True, individual traders could be enlisted together with entrepreneurs in producers' cooperatives according to their actual conditions, and many cooperatives formed in this way developed on a sound basis. But it was an extreme impetuosity to draw all traders indiscriminately into producers' cooperatives from the outset.

Our Party and the state overcame this deviation and closely followed the policy of making effective use of such transitional forms as marketing and producing-marketing cooperatives in transforming traders and of getting them, in this course, gradually accustomed to production labour so as to make them go over naturally to producers' cooperatives.

In this way, the problem of cooperative forms which presented itself as a difficult task in the socialist transformation of private traders and manufacturers was successfully solved in our country.

This is wholly attributable to the great revolutionary leader Comrade Kim Il Sung who put forward specific cooperative forms suited to our actual conditions and gave intelligent guidance for their correct application in practical work.

The diverse and specific forms of cooperatives created in our country correctly reflected the country's

socio-economic conditions and the will and demand of private traders and manufacturers, and their application displayed a great vitality in practice.

3) Close Combination of the Change of Economic Forms and the Remoulding of People

One of the strategic and tactical policies our Party had consistently adhered to in transforming private trade and industry along socialist lines was to closely combine the change of economic forms with the remoulding of people.

The great leader Comrade Kim Il Sung said as follows:

"In transforming private trade and industry along socialist lines, the Party closely combined the change of economic forms with the remoulding of people. Joining the producers' cooperatives, the entrepreneurs and merchants completely broke with their former life based on the exploitation of others, they have been changed into socialist working people who produce material wealth by their own labour. This has also speeded up their ideological transformation" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 69).

This policy is original because it makes it possible to effect this intricate revolutionary change to the fullest extent by skilfully applying the immortal Juche

idea to the socialist transformation of private trade and industry.

As indicated by the great Juche idea, man is the master of all things and the most powerful being that decides everything. Aloof from people no progress can be made in any revolutionary struggle and constructive work.

In the socialist transformation of private trade and industry, too, no success can be made without the positive participation of people. This work is for people, above all, for the private traders and manufacturers themselves. Therefore, it can be successful only when they, the contracting parties, feel its vital need and take an active part in it which is aimed at fundamentally changing their socio-economic positions.

Hence, we pushed ahead with the transformation of economic forms and the remoulding of people both alike in the whole course of the socialist transformation of private trade and industry.

One measure or two were not enough to closely combine economic transformation and man's remoulding. It required extensive politico-ideological, work along with detailed organizational-economic measures.

To solve this task, we attached prime importance to the rational organization of cooperatives in proper consideration of the class composition of cooperative members and the size and kind of cooperatives. Because it was a factor making for both economic reorganization and man's remoulding.

The sound class composition of cooperatives has an important bearing on the transformation of eco-

conomic forms. If entrepreneurs held an excessively high proportion in a producers' cooperative, it would have to assume a lower form, and its conversion into a complete socialist economy would require a longer time. On the contrary, if a producers' cooperative was organized with petty handicraftsmen alone, it would be hard to consolidate it on a solid economic foundation of its own and accordingly, this would put some limitation for it to promptly display its superiority over private economy. In order to reorganize economic forms successfully, therefore, it was imperative to pay due attention to the class composition of cooperatives.

Especially, the sound class composition of cooperatives had a substantial meaning in remoulding their members. If capitalists were many in a cooperative, they might have a wide bourgeois influence upon it, hindering the ideological remoulding of its members.

Taking these points into full consideration, the Party and the state stipulated that when a producers' cooperative was organized the entrepreneurs should not exceed five per cent in the composition of its membership. This rendered it possible to restrict the influence of bourgeois ideology and customs in the cooperatives and promote the ideological remoulding of private traders and industrialists.

The proper definition of the size and kind of cooperatives also acquired a great importance in the economic transformation and man's remoulding.

If a big-sized cooperative is organized from a subjective desire without taking into consideration its weak material and technical foundation and the low qualifications of its managerial personnel, it cannot

be well managed, nor can it display its superiority. The case will be the same when private traders and industrialists of different lines are thoughtlessly enlisted into one cooperative. Improper definition of the size and kind of cooperatives may hinder and confuse the organization of cooperatives and thus impede the smooth reorganization of economic forms.

The definition of the size and kind of cooperatives was a problem closely related to the fixation of the unit of collective life for traders and industrialists. Its correct solution, therefore, was essential to the promotion of their remoulding.

The cooperative is a unit in which the private traders and industrialists who worked, scattered individually in the past, are embraced in one body to work collectively. With cooperative as a unit, they do joint labour, take part in a political and organizational life, and in this course remould themselves into men of a new type. Therefore, the problem of deciding size and content of the base for their collective life has a direct bearing on their remoulding.

When the unit of collective life is too big, it may be difficult to organize collective labour and effective politico-ideological life. On the contrary, when the unit is too small, it may be impossible to bring forth the full meaning of collective life. If men of different lines are organized into one collective, it may be likewise impossible to organize work and life in conformity with the specific characters of each person and hasten their remoulding effectively.

Our Party organized cooperatives according to occupations and enlarged the size of each cooperative

step by step. This policy made it possible to accelerate both economic transformation and man's remoulding alike. With the strict implementation of this Party's policy, the cooperatives could be organized systematically according to occupations and their size regulated rationally according to the actual conditions in each period of the developing revolution.

The Party brought private traders and industrialists together with cooperative as a unit and formed there the Party and working people's organizations, enabling them to regularly lead a collective and politico-organizational life. This greatly quickened the process of remoulding the private traders and industrialists into socialist working people.

To successfully carry out both economic transformation and men's remoulding alike, the greatest efforts were directed to the ideological education of private traders and industrialists.

Since men's action is defined by their consciousness, the ideological remoulding of private traders and manufacturers alone could make them join cooperatives of their own accord, work devotedly and creatively and transform themselves into real socialist working people armed with the progressive ideology of the working class.

The ideological education was based on our conviction that their ideology could be fully remoulded into that of the working class.

The great leader Comrade Kim Il Sung said:

"Originally, there were very few big merchants in Korea. Middle and small traders were the majority.... It is true that all these occupations contain, to a

greater or less extent, elements of exploitation of the fruits of others' labour. But these are not so serious as to make it impossible to transform these people's thinking into that of the working class" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. II, pp. 365-66).

All our tradesmen and entrepreneurs—medium and small national capitalists—had some revolutionary qualities, though limited. Therefore, they could be fully equipped with the ideology of the working class through an offensive politico-ideological work.

While intensifying ideological education among the private traders and manufacturers still remaining outside the cooperatives, the Party established a separate system of ideological education for the cooperative members. The "producers' cooperative study group" was separately organized and cooperative members given ideological education suited to their specific qualities. At the same time, each cooperative was made to keep a vice-chairman in sole charge of politico-ideological and cultural work.

The educational system established separately for producers' cooperative members was greatly conducive to remedying the defects which were revealed in ideological work in the past when the cooperative members had been embraced in the same study system with other members of society. Formalistic errors had been committed before in ideological work as it had been conducted in most cases apart from the actual conditions of cooperative members. However, after the establishment of an independent study system for producers' cooperative members all ideological work

was conducted effectively in the light of their specific conditions.

The basic policy the Party closely followed in the ideological education of the producers' cooperative members was to firmly arm them with the great Juche idea and the Party's line and policy, its embodiment. It acquired paramount importance in removing all kinds of unsound ideas such as flunkeyism, capitalist idea and feudalistic idea persisting in the minds of the private traders and manufacturers and in heightening their sense of national identity and revolutionary spirit. Patient education in the Juche idea and the Party policy made the traders and manufacturers in and outside the cooperatives have deep interest in the development of our revolution and fully acquaint themselves with the nature and validity of the Party policy for socialist transformation. The Party also intensified the education in revolutionary traditions in combination with the education in the Party's policy. As a result, all the private traders and manufacturers became fully aware of the brilliant revolutionary traditions of our Party and the historic roots of our Party's policy for the socialist transformation of private trade and industry and came out unwaveringly to remould themselves.

The Party also paid deep attention to bringing home to the private traders and manufacturers the superiority of the socialist system over the capitalist one. This helped them repent their past when they had exploited others, realize more clearly the reactionary nature and corruption of the exploiting class and exploiter society, and take an active part in the

côoperative movement in the firm belief that the only road of their resurrection lay in socialism where all people live in happiness, helping and pulling each other ahead.

The Party-wide ideological struggle waged around 1956-57 after the war against the anti-Party factionalists, dogmatists and revisionists marked a great turn in the ideological remoulding of the private traders and manufacturers. At the time, the socialist revolution was going full steam ahead in all fields and the socialist transformation of private trade and industry was in high tide in our country. But the anti-Party factionalists and die-hard dogmatists lurking within the Party challenged our Party, with the outside force at their back. They came out against our Party's policy and line. They were critical of socialist transformation in towns and the countryside, prattling that the socialist revolution in our country was "premature" and that the speed of the socialist transformation was too high.

The Party decided to launch a powerful Party-wide ideological struggle against these elements and organized and mobilized all its members and the working people in that struggle. In face of the fierce Party- and nation-wide politico-ideological struggle the manoeuvres of the anti-Party elements were shattered to dust, the socialist revolution gained further momentum and the socialist construction went into high gear. Amid the revolution and construction in dynamic progress a great change took place in the mental world of the private traders and manufactur-

ers. They came to join cooperatives en masse and arm themselves with the socialist ideology.

Experience clearly showed that even when revolution ran into difficulties the Party could speed up the socialist transformation of private trade and industry if it firmly took the initiative and resolutely carried through the line of socialist transformation.

The Party also paid much attention to tempering the private traders and manufacturers through labour while intensifying education for their ideological remoulding.

The great leader Comrade Kim Il Sung taught us as follows:

“Collective labour is the best school for educating man. And ideological work which aims at transforming people’s consciousness can be successful only through practical struggle that changes nature and society” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 184).

Capitalist tradesmen and manufacturers shy labour, unaware of its real worth. Tempering them through labour producing material wealth is a powerful means for hastening their remoulding.

In cooperatives, they did collective labour and, in this process, they could cultivate the idea of loving labour, organization and collectivism.

However, the problem of changing their attitude toward labour and remoulding their ideology could not be solved of its own accord merely by enlisting them in cooperatives. Because of their deeply-ingrained habits, even after joining cooperatives, they tried to work less and do easier work while racking their

brains to draw high pay. It was necessary, therefore, to scrupulously organize the work for their active participation in labour even after enlisting them in cooperatives.

One of the important measures taken by the Party and the state to solve this problem was that they were made to produce material wealth by themselves with their own labour, instead of entrusting them with the management and administration of cooperatives as far as possible.

Originally, whom to staff the management body of a cooperative with is a principled problem concerning the orientation of the development of the cooperative. If it is manned with the persons whose class stand is shaky and who fail to shed their old ideas and habit of capitalist management it is liable to be run along the capitalist road. In order to develop a cooperative on a sound basis it is necessary above all to man its management body with those who, selected from among the handicraftsmen, the basic elements of the cooperative, are prepared ideologically and have a working ability.

It was also the quickest way of remoulding the entrepreneurs and merchants to make them directly take part in the collective labour of producing material wealth, instead of letting them do the management work.

But explanation and persuasion alone were not enough to get the entrepreneurs and merchants to take part sincerely in labour which they had long held in contempt. Strict control was necessary along with ideological education. The Party and the state made

each producers' cooperative fix the number of compulsory work-days for all its members and enforce a strict system under which dividends upon investments were not paid to those who failed to make up the compulsory work-days. The cooperatives were also made to strictly abide by the principle on which to correctly estimate the result of labour in terms of quality and quantity and pay according to the work done and the amount earned.

Such administrative and economic control over labour at the cooperatives was closely combined with ideological education, and this proved its worth in getting the cooperative members, the former entrepreneurs and merchants in particular, to take an active part in labour and in facilitating their ideological remoulding through labour.

It must be stressed that a very rational means of remoulding merchants was the application of such interim forms of cooperatives as marketing and producing-marketing cooperatives. In remoulding the individual merchants into socialist working people there may be different ways; they may proceed with their trading activity or take part in productive labour. The most effective way here is to make them do labour and create material wealth.

However, there may arise some deviations if merchants are made producers all at once. So it is necessary to solve this task step by step through interim stages.

Our Party and the state took various measures to remould merchants into socialist working people. (For instance, a greater benefit was granted to a

producer-entrepreneur than a merchant in fixing the income tax rate and giving the state loan.) At the same time, they attached great significance to the organization of marketing cooperatives, producing-marketing cooperatives in particular. Practice confirmed that the form of a producing-marketing cooperative was best fit for remoulding merchants into productive labourers by gradually drawing them into labour for their physical and mental training. A large number of merchants in our country were turned into socialist working people through producing-marketing cooperatives and their consciousness was remoulded apace.

Economic reorganization and man's remoulding were closely combined in our country from the outset. This is our unique experience in the socialist transformation of private trade and industry.

Thanks to the strict implementation of this wise line of the Party there wasn't a case in which we were troubled over man's remoulding after the socialist change of economic forms. And the socialist transformation of private trade and industry was carried out through and through in every respect.

Even after the overall socialist transformation of private trade and industry, our Party kept up ideological education among the cooperative members and strove to revolutionize them without letup. Since the change in man's consciousness is slower than that in material conditions, the socialist cooperative economy could be consolidated and developed only by energetically keeping up the work of man's remoulding

even after the complete socialist transformation of the economic sectors.

The close combination of the reorganization of economic forms with man's remoulding represented an important factor in successfully carrying out the socialist transformation of private trade and industry and consolidating the cooperative economy without a hitch.

4) Application of a Method of Competition between the Socialist Economy and Private Trade and Industry

The great revolutionary leader Comrade Kim Il Sung propounded an idea of abolishing the exploiting practices by way of competition and thus clarified the principled method of smoothly reorganizing private trade and industry along socialist lines.

By skilfully applying the method of competition between the socialist economy and private trade and industry our country could successfully prevent the latter's exploiting practices and solve the complex task of their socialist transformation, free from any vicissitudes.

COMPETITION METHOD IS A SEASONED METHOD OF ABOLISHING THE EXPLOITATIVE SYSTEM IN RELIANCE UPON THE LEADING ROLE OF THE SOCIALIST ECONOMY

The great leader Comrade Kim Il Sung pointed out:

“How are we to combat the phenomenon of exploitation which is still in existence? We must abolish the exploitative system by the method of emulation, that is, emulation which shows who is the better hand in trade, by strengthening the trade of the state and cooperative organizations” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. II, p. 118).

The method of emulation was a basic method employed not only in the struggle with private trade but in all realms of the socialist transformation of private trade and industry. By the emulation method it does not mean wiping out the exploiting phenomenon by a coercive method on the part of the state; it means a method of outdoing private trade and industry and eliminating exploiting practices by relying upon the ever-growing capacity of the socialist economy and through practical activity.

This method stems above all from the Party policy of transforming private trade and industry along socialist lines. Any coercive method, however, serves no purpose in conditions where entrepreneurs and merchants along with handicraftsmen are not expropriated but remoulded gradually through various forms of the cooperative economy. Cooperativization

can be carried into effect only when the private tradesmen and manufacturers are aware of the incomparable superiority of the socialist economy through life and join cooperatives willingly. One of the efficient methods to make them voluntarily join cooperatives is to give them object lessons to bring home to them the advantages of the socialist economy in life. Emulation is a fine method by which the socialist economy overpowers private trade and industry and gradually removes them by showing its superiority and intensifying its dominative role through economic competition.

The emulation method is also a positive method by which the exploitative phenomenon is overcome out and out.

It is inevitable to keep exploitative practice for some time in the transition period. So long as the small commodity and capitalist economic sectors exist in the national economy there remain exploitative practices in production and circulation. They cannot be completely abolished by a coercive method, that is, by dint of any administrative "order" or "directive". If the struggle against the phenomenon of exploitation is replaced merely with administrative measures it may cause uncalled-for confusion and even revive the exploitative practices which have once been overcome.

The most effective method of abolishing the exploitative phenomenon persisting in the transition period is to radically enhance the leading role of the socialist economy and completely excel private trade and industry, that is, to abolish the exploitative

practices through emulation on the part of the socialist economy.

The method of emulation in the socialist transformation of private trade and industry never places the socialist economy and private trade and industry on the same plane nor neglects the struggle between the two. On the contrary, it is a most revolutionary method firmly based on the confidence in the dominative position of the socialist economy and its great transformative role in the national economy and on the stand of the working class to abolish the exploitative phenomenon through a fierce struggle.

A working-class party can put up the method of emulation in the struggle against the exploitative phenomenon and in the socialist transformation of private trade and industry only when it is fully confident of its ability to get the upper hand of private trade and industry by relying on the leading role of the socialist economy.

The great leader Comrade Kim Il Sung said:

"The state and cooperative economies, which are predominant in the national economy in the northern half, are exerting a decisive influence on the small commodity economy based on private ownership and the capitalist economy which makes up a small proportion, leading them inevitably to the road of socialist transformation" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. I, p. 506).

The socialist economy based on public ownership of the means of production is a basic guarantee for the speedy socialist transformation of the small commodity and capitalist economies; with its organiza-

tional and material strength the former exerts powerful influence upon the latter. If an emulation is organized when the leading position of the socialist economy is not secured firmly, it will result in fostering spontaneity and capitalist elements in the national economy. In our country where the socialist economy was overwhelmingly predominant in the national economy it was too clear that it would emerge victorious from the emulation.

The emulation method presupposes an acute struggle between the socialist economy and private trade and industry. The former should beat the latter at any cost in the emulation, although the exploiting elements are not expropriated. The emulation method, therefore, can be said to be a special form of class struggle between socialism and capitalism in the economic life.

As is clear from this, the emulation method laid down by our Party is in every sense a positive means of struggle for abolishing the exploitative phenomenon in reliance upon the leading role of the socialist economy.

SKILFUL APPLICATION OF EMULATION METHOD

In the socialist transformation of private trade and industry the emulation method could be effective when the leading role and influence of the socialist economy increased and, on this basis, various economic measures were taken in proper combination

with administrative control, with main stress put on the former.

In applying the emulation method it is of vital significance to extend the predominant position of the socialist economy and raise its leading role.

The great leader Comrade Kim Il Sung said:

"In the period of the socialist transformation of the relations of production, private trade and industry became impotent since the cooperative movement was being pushed ahead in our countryside and the role of large-scale state-owned industry and the socialist trade strengthened. Consequently their socialist transformation proceeded with comparative smoothness" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 357).

To push ahead speedily with the agricultural co-operative movement and ceaselessly enhance the leading role of the state-owned industry and socialist trade was an important factor favouring the successful socialist transformation of private trade and industry and the complete victory of the socialist economy in the competition with private trade and industry.

The state-owned industry, among other things, played the leading role in transforming private trade and industry along socialist lines. Having seized the artery of our national economy from the outset, the state-run industry developed at high tempo in the postwar period and successfully fulfilled its leading role in the national economy as a whole. Our state-run industry could meet basically on its own the people's needs for consumption goods by steadily widen-

ing its dominant position in light industry as well as in heavy industry.

In the state-owned industry the amount and variety of goods grew rapidly, their quality rose and their production cost dropped ceaselessly. This constituted a main factor leaving a narrower room for private trade and industry. More, the planned and balanced development of the state-owned industry in all its branches exerted ceaseless influence on private trade and industry. Thus, the latter became impotent in face of the ever-increasing might of the former.

The speedy progress of the cooperative movement in the countryside also provided favourable conditions in the competition with private trade and industry. It not only deprived private trade and industry of their source of raw materials but successfully removed the possibility of their intermediary exploitation. The countryside in a state of cooperation was no longer a place for private trade and industry to turn to.

The increased leading role of socialist trade which had been developed with much efforts after liberation constituted an important guarantee for abolishing the exploitative phenomenon and outdoing private trade and industry in the competition.

The rapid development of socialist trade in our country acquired a special importance in eliminating the exploiting practices. Most of the exploiting practices at the time were found among merchants, although there were rich peasants in the countryside and entrepreneurs in towns, who exploited others. Merchants acted as intermediary exploiters, lending money at usury or buying farm products cheap from

peasants to resell them dear to factory and office workers.

Exploiting practices prevailed in trade firstly because capital was concentrated on the domain of trade where investments were relatively safe and the turnover of funds was quick under the people's regime, and secondly because the position of socialist economic elements was weaker in trade than in industry as priority was given to industry in state investments. Under such situation it was important to improve and strengthen the trade work in order to wipe out the phenomenon of exploitation in socio-economic life.

Laying down the basic orientation of the trade work to make innovation in abolishing the exploiting system, the great leader Comrade Kim Il Sung said wisely:

"We must bring about a great change in trade. This alone will make it possible finally to abolish the system of exploitation in town and country. I do not mean that we should depend on the interior service organs to settle the problem. Private trade should be abolished through competition—by properly tackling all affairs concerning our procurement work, our organization of sales, quality of commodities, etc. Only by so doing will we be able to transform private trade along socialist lines" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. II, p. 121).

The most dependable way to abolish private trade entailing the exploitative phenomenon was to speedily develop socialist trade and grip all domains where private traders stretched their hands. That was why our Party and the state made great efforts to develop

the trade of the state and cooperative organizations in the period of the overall socialist transformation of the old economy. As a consequence, the construction for trade made a brisk headway in town and country. The trade network of state and cooperative organizations came to cover all residential areas, and socialist trade as a whole fortified its material and technical foundations.

Effective procurement work in trade was an important factor in getting the upper hand of private trade in the competition and abolishing its practices of exploitation.

It was because private merchants used rice and other agricultural products as a basic means of intermediary exploitation. But now the purchase organs improved the procurement system, form and method consistent with the changing realities of the countryside and intensified the procurement of farm produce. As a result, private trade lost its material foothold in the countryside and the exploitative elements suffered a great blow.

Improvement in the organization of sales on the part of socialist trade posed a vital problem in the struggle against the practices of exploitation. In order to sell more of their commodities the private traders were active everywhere out of the reach of socialist trade at the time and tried every available means to draw customers, displaying their commodities in good order. In contrast, no small number of socialist trading workers often failed to properly arrange or pack commodities, and merely waited for customers to come. Without radically rectifying such defects, it was

impossible to give full play to the advantages of socialist trade and successfully compete with private trade.

Thanks to the decisive measures taken by the Party and the state to improve and strengthen socialist trade a fresh change was brought about in trade work. The organization of sales was greatly improved, the service of trade workers enhanced as a whole, and the trade network of state and cooperative organizations expanded to supply a large amount of better consumer goods to the people at cheap prices. As the leading role of socialist trade was heightened and its superiority became distinct in life, more and more inhabitants came to rely on socialist trade. They hardly bought goods from private tradesmen at expensive prices. Socialist trade increased its leading role and narrowed down the scope of activity of private trade.

Life proved that the increase of the might and influence of the socialist economy was an indispensable and vital condition for abolishing the system of exploitation and bringing sure victory over private trade and industry in the emulation.

But this condition alone is not enough to solve the whole problem of the emulation between the socialist economy and private trade and industry. This emulation proceeds on a day-to-day basis and assumes a complex character: it necessitates principled flexible measures and means in various spheres.

With this in view, the Party masterly took various economic and administrative measures on the basis of steadily heightening the leading role of the socialist

economy, in order to bring the emulation with private trade and industry to victory.

An important economic weapon employed in the emulation with private trade and industry was the lever of price control. Price was an important economic lever to be used in developing the country's economy as a whole and improving the people's living standards. It served as a mighty weapon taken by the working-class Party and state in the emulation with private trade and industry.

For the effective use of the price lever the Party and the state paid deep attention to properly setting the retail prices while enforcing the rational system of the state wholesale prices. Thanks to the correct price policy of the Party a unitary system of the state retail prices was enforced from early days in our country. The important feature of this system was that prices were set very low in general and remained fixed for a long time and that the uniform price was set on the same goods both in town and country.

In our country mass consumption goods are priced so low that their production costs are barely recovered.

The great leader Comrade Kim Il Sung taught: **"The working-class Party and state should set low prices for the mass consumption goods by deliberately deviating the prices of commodities from their values"** (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, pp. 311-12).

Fixing low prices on consumer goods, mass consumption goods in particular, rapidly improved the material and cultural living standards of the people

and, at the same time, constituted an important factor favouring the victory of socialist trade over private trade in the emulation. Under the condition where a large amount of consumer goods were sold at low state retail prices through the socialist trade network, the private traders found themselves hard to sell their commodities at high prices and thus lost their means of earning profits.

Private traders had gained enormous profits, capitalizing on the fluctuations in demand and supply at markets. But this practice, too, was successfully overcome with the application of long-fixed state prices. Merchants had engaged in intermediary exploitation in most cases, selling their commodities expensively in the rural areas which had not yet been fully covered by socialist trade. But now socialist trade went deep into the countryside and sold commodities at the same prices as in towns. This was a heavy blow to the merchants. In this way, the uniform state retail price system played a very big role in the emulation with private trade.

Purchase prices were effectively employed in the competition.

By fixing the purchase prices in such a way as to meet the interests of both the peasants and the state, the state could make peasants willingly sell their products to procurement agencies and regularly supply them to industry as raw materials. More, by concentrating farm produce in its hands, the state prevented private traders and industrialists from occupying the market of agricultural products. Especially, the state set uniform purchase prices on provisions, and

this successfully frustrated the manoeuvres of the speculators who sought to trifle with market with food grain.

Besides, the state took a series of other flexible measures such as the control over the prices of goods produced at private enterprises and the application of the state prices on some kinds of commodities sold by private traders. In this way, it skilfully utilized the price lever in the emulation with private trade.

Another great importance was attached to the use of the tax lever in the emulation with private trade and industry. As a means of redistributing the national income, taxation was utilized in our country in favour of economic construction and socialist transformation. Imposition of the progressive tax on the surplus income of the capitalist entrepreneurs and merchants acquired a definite significance in controlling and regulating the development of the capitalist economy. In the period of socialist transformation in our country the income tax rate was set usually high on the entrepreneurs and merchants whereas it was very low for the factory and office workers. And a progressive tax was imposed on the former in case their income passed the fixed limit. Unlike them, the producers' cooperatives enjoyed a special favour of systematic tax reduction or cancellation. In addition, a strict control was exercised over those private traders and manufacturers who tried to evade taxes without reporting their incomes correctly to the government organs or failed to fulfil their tax obligation faithfully. Of course, in our country, unlike in capitalist society, there was not a case in which a small or me-

dium enterprise went broke because of tax payment. But taxation was greatly conducive to preventing private trade and industry from obtaining excessive profits.

While using rationally such economic levers as price and tax in the emulation with private trade and industry, the state also took a number of measures for state and public control over them.

In conditions where some entrepreneurs, merchants and idlers were seeking every chance for profiteering and speculation in violation of the law of the state, the emulation with private trade and industry could be successful only by intensifying state and public control over them.

The Labour Law enforced as one of the democratic reforms acquired a great meaning in strengthening state control over private trade and industry. By legally defining the wages and working hours of those employed at private enterprises, their right to labour protection goods and others, it afforded an important legal guarantee for protecting their rights by the state and strictly controlling the exploitation by capitalists.

The enterprise registration and licence systems enforced in our country also served as an important means of state control over private industry. Through them, the state could grasp the general state of a private enterprise including its funds, equipment, source of raw materials and management, and make it engage in the line and follow the course as required by the state. At the same time, the state removed those enterprises with meagre funds and applied administrative sanctions against those engaging in unhealthy

economic activity. In this way, the enterprise registration and licence systems were utilized as an effective means in restricting the negative factors of capitalist trade and industry while turning their affirmative factors to account.

Besides, there was a system whereby the goods manufactured by private enterprises were checked at market. It helped the state effectively prevent them from manufacturing and selling products of inferior quality.

Usury and speculation were prohibited by law from the start in our country. But they lingered on. In the period of the overall socialist transformation the state exercised rigid legal control over the remnant usurers and speculators.

Actively involved in this work were working people's organizations and broad masses besides the state organs and economic institutions. In face of such intensified state and public control, the lawbreaking usurers and speculators could no longer hold out, and the struggle with them was carried to success.

In this way, various economic and administrative measures were taken in a flexible way along with the rational use of the economic levers. In this course the state came to bring private trade and industry under its control, and favourable conditions were created for socialist economy to decisively prevail over them in the emulation.

Our experience showed that socialist economy could win in the emulation with private trade and industry and the exploitative practices could be abolished once and for all as long as there was a power-

ful regime of the proletarian dictatorship and the leading position of socialist economy was firmly ensured.

5) Simultaneous Progress of the Overall Transformation of Private Trade and Industry and the Agricultural Cooperative Movement

In directing the socialist transformation of private trade and industry our Party saw to it that it was always carried on in close combination with the socialist transformation of the countryside. In the incipient period of transition, it stepped up the co-operation of handicrafts, creating one of the preconditions for agricultural cooperation.

Entering the postwar period, the Party pushed the overall transformation of private trade and industry together with the agricultural cooperative movement.

This line of our Party was an original strategic and tactical one because it rendered it possible to reorganize the old economy along socialist lines in the shortest period as a whole by creating favourable conditions for both the socialist transformation of private trade and industry and the agricultural cooperative movement and enabling these two movements to go strong simultaneously.

The Party line on closely combining the socialist transformation of private trade and industry and the agricultural cooperative movement and pushing them

simultaneously is based on a scientific analysis of their inseparable relations of mutual dependence.

The great leader Comrade Kim Il Sung taught:

“Private trade and industry in our country were weak from the start, and they were mainly based on small commodity production in the countryside. The last foothold of capitalist elements in towns collapsed with the cooperativization of the individual peasant economy” (Kim Il Sung, *Selected Works*, Eng. ed., Vol. II, p. 294).

Private trade and industry and individual farming had been closely linked with each other in our country. As for private trade and industry they were backward in technique and small in scale from the start and depended on the countryside.

This dependence was expressed first in the fact that the private traders and manufacturers ran their economy mainly with the raw and other materials purchased from the small commodity economy in the countryside. In a developed capitalist country private traders and industrialists usually rely in no small measure on industrially processed raw and other materials besides agricultural products. But most of the private traders and industrialists in our country purchased rice, fruit, meat and the like from peasants and resold or processed them when agricultural co-operation was not afoot. In a word, they had their material foothold in the rural economy based on small commodity production.

Another dependence was expressed in the fact that the private industrialists found the market for most of their products in the rural areas. This was because

the great part of the population lived in the countryside and the products of private industrialists sold better in rural areas than in towns. State-owned trade developed in towns from the start, and townfolks demanded goods of superior quality. In such situation the goods of inferior quality made by private manufacturers were unsalable in towns and had to find a market in the countryside.

All this shows that private trade and industry were unable to organize production or run their economy unless they relied on the small commodity economy in the countryside.

On the other hand, the rural economy based on small commodity production drew some strength from private trade and industry. By selling a part of their surplus farm produce to the private tradesmen and manufacturers, individual farmers could increase their earnings, and this gave a fillip to their zeal for production. Rich peasants in particular could put on some weight in touch with the urban private tradesmen and manufacturers.

Since private trade and industry had such close relations with the individual farming based on small commodity production, the former's socialist transformation could have a direct impact on agricultural co-operation, and vice versa.

Agricultural cooperation would above all leave no room for private trade and industry to remain, by abolishing their last foothold and market in the countryside. Indeed, no private tradesman or manufacturer can maintain his economy when he is unable to get raw materials and sell products with the prog-

ress of agricultural cooperation. Definitive function of agricultural cooperation over the socialist transformation of private trade and industry forms the basic phase of their mutual relations.

This, however, does not mean that the socialist transformation of private trade and industry hasn't any impact on the agricultural cooperative movement.

The former ensures the latter's successful progress by blocking the unorganized outlet of the farm produce, eliminating the intermediary exploitation of the peasants and restricting the growth of the rich peasant economy.

From this we can draw the conclusion that the socialist transformation of private trade and industry and the agricultural cooperative movement should be closely linked up with each other and carried on simultaneously.

In the initial transition period of preparing socialist transformation, the Party and the state, with deep scientific foresightedness, set a strategic goal of pushing the socialist transformation of private trade and industry and the agricultural cooperative movement simultaneously, and organized the work to attain it gradually.

Already at that time our Party saw to it that handicraft cooperatives were organized on an experimental basis first in rural districts. This was necessary not only for the socialist transformation of private trade and industry but for the preparation of agricultural cooperation to be enforced in future.

The cooperation of handicrafts in the rural districts brought great benefits to both the handicraftsmen and

peasants and played a positive role in acquainting them with the advantages of the cooperative economy. Producers' cooperatives formed with handicraftsmen in the countryside provided the peasants with a dependable market where they could dispose of their farm and sideline products in time and thus increase their incomes. In addition, the latter got farm implements and farming materials, though partially, from the former, and this was helpful to their farming.

Handicraft cooperation in rural areas proved of some significance in preparing the peasants to gradually join agricultural cooperatives by showing them the superiority of the cooperative economy. In fact, without any preconditions and preparations it was hardly possible to draw the conservative peasants into cooperatives at once in a day or two. To solve this problem, it was imperative for the Party to show the peasants the advantages of the socialist cooperative economy as well as its practical management, while persistently conducting ideological education among them.

Already from the prewar time of peaceful construction our Party put much energy into the struggle to expand the socialist economic factors in the countryside. As a result, socialist agricultural enterprises such as state agro-stock farms, farm machine hire stations and state irrigation control offices were organized in the rural areas in the prewar days. Serving for the development of the peasant economy, these enterprises showed the individual farmers the superiority of the socialist economy.

In addition, consumers' and credit cooperatives were organized in the field of circulation. These co-operatives not only played an important role in meeting the immediate economic interests of the peasants, but also directly showed them the superiority of the cooperative economy. Of course, cooperation in the field of circulation is lower than cooperation in the field of production in terms of stage. But its experience vividly showed that when small producers pooled their means of production, funds and labour they could display a great might, restrict the exploitation by capital and advance their economy.

The handicraft cooperatives, however, played a special role different from that played by the state agricultural enterprises and consumers' and credit co-operatives, in preparing the cooperation of the peasant economy. As the first socialist cooperative economy engaging in production, the producers' cooperatives formed with handicraftsmen had to play a pioneer role in the movement of cooperation in the field of production. The cooperative economy engaging in production assumed a higher form than that engaging in circulation. It could more vividly show the individual peasants akin to the handicraftsmen in the status how the cooperative economy engaging in production was organized and what superiority it had. Herein lay the great significance of the handicraft cooperation in preparing the agricultural cooperation.

The socialist transformation of private trade and industry and the preparation of the agricultural co-operative movement were carried on in close combination in our country even during the great Fatherland

Liberation War waged by our people against the armed invasion of US imperialism and its stooges.

Basing himself on his great plan for the socialist revolution and socialist construction, the great leader Comrade Kim Il Sung laid down the wise policy of keeping up the socialist transformation of private trade and industry even under the difficult war circumstances, while seeing to it that such cooperative forms of labour as oxen-sharing and mutual labour-aid were developed in the rural areas.

During the war such cooperative forms of labour as mutual-aid teams, sideline cooperatives and joint frontline working parties were widely spread and developed in our countryside. They were socialist buds. Their birth and growth clearly suggested that the peasants leaned more towards the cooperative economy and that accordingly preparations should be stepped up for agricultural cooperation.

Meanwhile, the specific war conditions demanded to energetically push ahead with the socialist transformation of private trade and industry in the rural districts. This was because the rural areas were safer from war damages than towns and because most of the private tradesmen and manufacturers evacuated themselves to the countryside. The Party and the state never suspended the cooperation of private trade and industry even in the difficult war days when their production facilities were destroyed beyond description and traders and manufacturers lived, widely dispersed. As a result, the proportion of their cooperation rose during the war (some 34 per cent as of the end of 1953), and producers' cooperatives boosted produc-

tion, building up their economic foundations with the enormous material and financial aid of the state.

In the postwar period the socialist transformation of private trade and industry and the agricultural co-operative movement assumed a new phase in their mutual relations.

Having subjected the postwar revolutionary situation to scientific analysis, the great revolutionary leader Comrade Kim Il Sung took the postwar period as the best for the socialist revolution and set forth the revolutionary policy as to stepping it up in real earnest.

This new revolutionary policy formulated by the great leader Comrade Kim Il Sung opened a fresh historic phase in our country for furthering the socialist transformation of private trade and industry and the agricultural cooperative movement simultaneously on a mass scale in the postwar period.

The agricultural cooperative movement in our country got into its stride in accordance with the policy of organizing agricultural cooperatives on an experimental basis, which was set forth by the great leader Comrade Kim Il Sung at the Sixth Plenary Meeting of the Party Central Committee convened in August 1953 right after the armistice. It went over from the experimental stage to the stage of mass development, occasioned by the Plenary Meeting of the Party Central Committee held in November 1954. At the end of 1956 when the stage of mass development came to a close, the proportion of agricultural cooperation showed high figures of 80.9 per cent in the farm

households and 77.9 per cent in the acreage of arable land.

At its Third Congress in 1956 our Party, following up the successes and experiences gained in the socialist transformation, put forth the historic task of completing the socialist transformation of the relations of production in town and country in the period of the First Five-Year Plan.

This new task demanded to press forward the socialist transformation of private trade and industry ever more vigorously along with the agricultural co-operative movement.

As the socialist transformation of private trade and industry had progressed from the prewar days in our country, its proportion right after the war showed a higher figure than the agricultural cooperation. But at the end of 1956 it fell far behind the latter as the agricultural cooperation progressed at a fast tempo in the postwar period. This required to step up the socialist transformation of private trade and industry.

This requirement was pressing especially because the negative aspects of entrepreneurs and merchants became pronounced in those days.

The great leader Comrade Kim Il Sung said:

"...our revolution and construction would have been greatly impeded if we had left them to carry on their enterprises and trade as they wished instead of transforming them on socialist lines" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 355).

Without speeding up the socialist transformation of private trade and industry at the time, it was

impossible to consolidate and develop the newly-organized cooperative economy in the countryside and successfully press the socialist construction forward.

At the time some individual traders and manufacturers were even doing harm by stealing state-owned materials and equipment because they had no source of raw and other materials since the socialist economic sectors were predominant in all domains of the national economy including the rural economy. In addition, there were undesirable practices in which private traders secretly bought farm produce in the countryside and some cooperative farmers sold it to them at high prices instead of to the state. Such practices had to be overcome quickly for both the transformation of private trade and industry and the successful progress of the agricultural cooperative movement. Hence, the Party adopted a number of decisions in 1956 and 1957 in which it took specific measures to speedily wind up the socialist transformation of private trade and industry.

What was important here was to thoroughly remove all the economic conditions on which the private tradesmen and manufacturers relied. The most essential among these economic conditions were the source of raw materials and the disparity between the state and free market prices. As long as such conditions remained intact private trade and industry could exist continuously.

The state, therefore, strictly prohibited the free sale and purchase of all provisions, allowed only the state agencies to buy and sell them, and enforced the system of uniform state retail price at the market.

State and cooperative trading agencies were also made to promote the purchase of raw and other materials including farm products. Due to such measures private tradesmen and manufacturers could hardly carry on their business and gain profits from the disparity between the state and free market prices. This gave a big impact on the remnant private tradesmen and manufacturers, and got them all into cooperatives.

In the last stage of the socialist transformation of private trade and industry the Party and the state exerted much efforts to strengthening the organized cooperatives organizationally and economically. What was important in that period when a large number of entrepreneurs and tradesmen were joining the cooperative economy was to properly readjust the forms of cooperatives and thoroughly establish the system and order within the cooperatives.

The Party and the state proposed new, specific forms of the cooperative economy and made each cooperative select the one suitable to its specific conditions according to the broad democratic will of its members. As a result, entrepreneurs and merchants came to join cooperatives with eagerness. The cooperative economy was much consolidated as a whole with the readjustment of some cooperatives that had been organized without reference to their specific conditions.

When the socialist transformation of private trade and industry entered the last stage we paid special attention to the private tradesmen and manufacturers still remaining in some areas including the area newly liberated during the Fatherland Liberation War, and

intensified work with them. The cooperative movement went at the slowest pace especially in the newly-liberated area where private trade and industry had rather a long history, compared with other areas. It was therefore very important to speed up the socialist transformation of private trade and industry in that area.

In drawing the remaining private tradesmen and manufacturers in the newly-liberated and other areas into cooperatives, the Party paid much heed to preventing petty-bourgeois impetuosity. In the last stage of the socialist transformation some functionaries tended to incorporating private traders and manufacturers by an administrative method in disregard of their preparedness or organizing the high form of cooperatives peremptorily.

Strictly guarding against such impetuosity, the Party made sure that their cooperation was patiently conducted on the principle of voluntariness. Under such correct guidance of the Party all the private tradesmen and manufacturers who had been wavering all along came to join cooperatives, and thus the socialist transformation of private trade and industry was wound up in 1958 almost simultaneously with the agricultural cooperative movement.

With the simultaneous completion of the socialist transformation of private trade and industry and the agricultural cooperation the socialist relations of production came to hold the undivided sway over all fields of our industry, agriculture and trade, abolishing the phenomenon of exploitation in every sphere of social life.

All the old economic sectors were transformed along socialist lines in the short period of 4-5 years in the difficult and complex postwar situation. This confirmed the judiciousness of the great leader Comrade Kim Il Sung's original policy as to stepping up the socialist transformation of private trade and industry and the agricultural cooperative movement simultaneously and in close combination.

3. THE STRUGGLE FOR CONSOLIDATION OF THE COOPERATIVE ECONOMY

The socialist transformation of private trade and industry does not end with the organization of cooperatives. Its aim will be successfully accomplished when the cooperatives are consolidated politically and ideologically, economically and technologically after their formation and their advantages as the socialist cooperative economy displayed to the full.

Politico-ideological and economic-technical consolidation of the new-born cooperatives can be ensured only when the working-class party and state give them energetic guidance and assistance, and their members fulfil their role as masters.

The great revolutionary leader Comrade Kim Il Sung set forth the basic orientation and specific ways to solve this task and wisely organized and led it in person.

Thanks to the wise leadership of the great leader and the persistent struggle of the Party and the state, the cooperatives organized with private traders and manufacturers could be firmly built up in a short span of time even under the very difficult situation. They displayed their advantages and made a positive contribution to the country's socialist construction.

1) Politico-ideological Consolidation of the Cooperative Economy

In strengthening and developing the socialist cooperative economy the main thing is to build up every cooperative politically and ideologically.

This alone renders it possible to stoutly defend the cooperatives, a gain of the socialist revolution, from the encroachment of the class enemies and consolidate them organizationally and economically by giving full play to the revolutionary enthusiasm and initiative of their members in labour.

In each stage and period of the struggle for the socialist transformation of private trade and industry, the Party and the state vigorously strove to consolidate the cooperatives politically and ideologically, solidly building up their leadership and membership and intensifying the ideological education of their members.

WORK FOR BUILDING UP THE LEADERSHIP OF COOPERATIVES

To consolidate the cooperative economy politically the Party and the state paid primary attention to building up the leadership of each cooperative with excellent workers to enhance its functions.

The formation of a powerful leadership posed a matter of vital importance in consolidating its coope-

rative politically and economically. It directly organizes and executes the work to carry out the Party and government's policy and line and is responsible for the management and operation of its cooperative.

The Party and government's policy, however nice, cannot be carried out at a cooperative if its leadership fails to accept that policy in good faith.

The problem of building up the cooperatives' leadership with excellent functionaries acquired a special importance in our country. Subjected to Japanese imperialist colonial rule for a long time, our country was very short of its own cadres after liberation. In fact, there was scarcely anyone who could run the socialist collective economy. Under such condition the problem of building up the cooperative leadership with competent personnel was very important for the future development of the cooperatives which were organized with people having neither knowledge of nor experience in the management of the socialist economy.

This was particularly true when unsound elements stole into cooperatives and manoeuvred to occupy their leadership.

Hence, we directed special attention to the building up of the cooperatives' leadership. What was important here was to properly conduct the summing up of the work and election of the leadership at a cooperative according to the requirements of its rules. The Party saw that this work was conducted regularly at all units of cooperatives, extending democracy to the utmost.

The summing up of the work and election of the leadership conducted under the guidance of the Party

at all units of the cooperatives from the basic unit to the central organ marked an important occasion in improving the cooperatives' work as a whole, consolidating the leadership of all levels and heightening its role. For instance, the summing up of the work and election of the leadership organized twice throughout the country in the postwar Three-Year Plan period (1954-56) helped greatly towards politically consolidating the cooperative economy by criticizing and rectifying the defects manifested among cooperatives in the past, improving their work in conformity with the cooperative movement developing on a new stage and especially by building up the leadership at all levels with competent functionaries who had strong revolutionary spirit.

Through this work the speculators, profiteers and politically-impure elements who had wormed their way into the leadership of cooperatives were removed and its composition was drastically improved. But some units failed to sum up their work and elect their leadership properly as indicated by the Party. As a result, unsound elements lurked in their leadership, doing harm to the work of cooperatives. Therefore, the work of building up the leadership of the cooperative economy and elevating its role should be kept up as a work of primary importance in the whole period of the socialist transformation of private trade and industry. The important thing here was to properly conduct the work with cadres of the cooperatives.

The great leader Comrade Kim Il Sung taught:

"...what should be done to further strengthen the cooperatives?"

"First, we should properly select management cadres for the cooperatives, settle them down and tirelessly educate them" (Kim Il Sung, *Selected Writings*, Korean ed., Vol. V, 1965, pp. 21-22).

To properly select, educate and train cadres was a matter of primary importance in the work of the cooperative economy as a whole, whether it was an agricultural or producers' cooperative. Cadres are the core elements and leading personnel of the cooperatives. Therefore, the success of the cooperatives depends on their role.

The most important thing in the work with cooperative cadres was to select and assign them strictly according to the Party principle. In selecting and assigning the cooperative cadres the Party and the state put the main stress on their political qualifications, while attaching importance to their practical ability, and made tireless efforts to build up the ranks of management personnel with the functionaries who were infinitely loyal to the great leader, the Party and the revolution and were equal to their assigned tasks. But they did not demand a high level of them from the start. A higher level was required of them later as the cooperative movement developed in depth and functionaries improved their qualities.

Great efforts were directed to the education and training of the cooperative management personnel along with their proper selection and appointment. To this end, we arranged training courses and experience-exchange meetings regularly so that they could elevate their political and working abilities, not leaving their work. On the other hand, we set up institutions

devoted to the reeducation of the in-service cadres and organized the work of systematically training new cadres.

Many troubles cropped up in the education and training of cadres. The greatest trouble was the problem of preparing teaching material. Since our country had had no experience in cooperative movement there was no textbook of its own. However, it did not justify our mechanical dependence on a foreign textbook which was inconsistent with our realities. The only way was to solve the problem of a textbook with our own effort in the revolutionary spirit of self-reliance.

We generalized our experience in the organization and operation of cooperatives and, on this basis, prepared the teaching material for ourselves. In this way, we could firmly establish Juche in educating and training the management cadres of cooperatives.

With the proper selection, allocation and training of cooperative cadres, their ranks expanded rapidly and their qualitative composition improved to build up the leading organs of cooperatives at all levels in our country.

To consolidate the cooperative economy politically we also directed consistent attention to making the class composition of cooperative members wholesome.

To place the ranks of cooperative members on a firm class basis posed a serious problem in consolidating the cooperatives politically in conditions where the cooperatives took in entrepreneurs, petty merchants and capitalist traders together with handicraftsmen and, worse still, taking advantage of this, wicked profiteers and alien elements tried to creep into them.

In building up the ranks of cooperative members the Party and the state held fast to the principle of properly combining class line with mass line. This afforded an important guarantee for laying the firm political foundations of the cooperatives. It rendered it possible to prevent hostile elements from creeping into cooperatives, thoroughly isolate them and firmly unite the broad masses of the former private traders and industrialists.

To observe the class and mass lines in building up the ranks of co-op members was essential particularly because a large number of entrepreneurs and merchants were admitted to the cooperatives in the postwar period. In enrolling cooperative members, the Party saw to it that everybody was sized up above all in the light of his class stand and that a clear distinction was made between those to fight against and those to unite with, in full accordance with the Party's class line. In this way, it made a point of drawing into cooperatives the overwhelming majority of private merchants and industrialists who supported the socialist revolution and wished to be co-op members and uniting with them, while shutting the door of cooperatives to those who assumed hostile attitude towards the revolution and the cooperative movement and isolating them thoroughly.

Enlisting the private merchants and industrialists into the cooperatives the Party made sure that the hard cores were firmly built up with those who had long engaged in a tiny economy and had high political consciousness. Under the correct leadership of the Party the core elements of cooperatives were cons-

tantly awakened to their class consciousness and their ranks increased apace. The hard cores built with sound elements, awakened politically and ideologically and steadfast in class stand, were powerful enough to assimilate the entrepreneurs and traders admitted to the cooperatives and successfully frustrate the subversive manoeuvres of the hostile elements.

In building up the ranks of cooperative members it was the most serious question how to handle the capitalistic entrepreneurs and merchants. It would be wrong to exclude them indiscriminately on the plea of adhering to the class line. And it was also impossible to enlist them into cooperatives at random in an unprincipled manner.

Since the Party's stand was to take the national capitalists to the socialist and communist society they ought to be admitted into the cooperatives. But in enrolling them into cooperatives, the Party imposed a definite condition that they should respect the cooperative's rules, work honestly and that their proportion should not exceed 5 per cent in each cooperative. This condition played an important role in placing the cooperatives on a firm class basis and consolidating them into a powerful political force.

The work of consolidating the cooperatives politically did not end with the building up of their leadership and membership. The important thing was to awaken the cooperative members to class consciousness and temper them politically through practical struggle.

The Party drew the cooperative members into various political struggles unfolded in our country

in each stage and period of the revolution and construction. They, together with the rest of the people, took part in the severe struggle against the counter-revolutionary elements, anti-Party factionalists and class enemies of various hues who ran amuck in each stage of the developing revolution to subvert the co-operatives from within and without. Under the leadership of the Party the cooperative members firmly defended their cooperatives. They exposed and frustrated the manoeuvres of the counterrevolutionary elements who tried in every way to spread reactionary rumors, abusing and slandering the Party's line of socialist transformation, play havoc with the common property of the cooperatives, undermine the joint economy and whip together some unawakened members. They also took an active part in the Party-wide struggle against the anti-Party factionalists. Through this struggle they expelled the anti-Party factionalists who had lurked in the leadership of some cooperatives, and resolutely defended and carried through the Party's policy for socialist transformation.

In the course of the fierce struggle against the counterrevolutionary alien elements, anti-Party factionalists and the class enemies, the cooperative members could heighten their revolutionary consciousness and class awakening and temper themselves politically to grow into reliable masters of the socialist cooperative economy and a powerful political force.

STRUGGLE FOR THE IDEOLOGICAL CONSOLIDATION OF COOPERATIVES

To consolidate the cooperative economy politically

and ideologically it is important to root out the outmoded ideology remaining in the minds of the newly-admitted traders and industrialists and imbue them with socialist ideology. Only when the cooperative members are armed with lofty ideology and consciousness is it possible to abolish the ideological hotbed of the counterrevolutionary force, reliably safeguard the system of the cooperative economy, establish a tone of helping and uniting with each other among all cooperative members and display their revolutionary enthusiasm and creative initiative. In consideration of the importance of the ideological work, our Party gave definite priority to the ideological education of the co-op members in all work and organized and conducted it in conformity to the specific conditions of socialist transformation.

What was important here in the early period of the socialist transformation was to imbue the co-op members with pride and confidence in victory. Handicraftsmen were the first to join cooperatives and acted as the pioneers of the cooperation movement. But not all of them had been fully awakened ideologically and confident. Although they joined cooperatives, they always had a doubt in a corner of their hearts about their own fate and the prospects of their cooperatives.

Getting the feel of this in time, the Party organized the work of patiently explaining to them the essence and judiciousness of the policy for the socialist transformation of private trade and industry, set forth by the great leader Comrade Kim Il Sung, and the bright prospects of the cooperative economy. It also

intensified education to imbue them with class consciousness and hatred against the exploiting class and system.

Such ideological education conforming to the specific conditions at the time heightened the co-op members' class consciousness and confidence in victory, fanned up their enthusiasm and creativeness and encouraged them to rapidly consolidate their newly organized cooperatives, overcoming all difficulties.

Ideological education of co-op members had to be stepped up with added vigor in the postwar period when the socialist transformation of private trade and industry went full sail. The ranks of co-op members swelled, their composition became ever more complex and cooperatives faced more important and huge politico-economic tasks. At that time, our Party was vigorously accelerating the socialist transformation of the outmoded relations of production in all domains of the national economy, putting up the slogan of socialist revolution. This demanded to conduct the ideological education of the co-op members more extensively, profoundly and energetically.

The intensive studies of the great leader Comrade Kim Il Sung's classical works *On Further Intensifying the Class Education of the Party Members* (April 1955) and *On Eliminating Dogmatism and Formalism and Establishing Juche in Ideological Work* (December 1955) proved of particular significance in the ideological education of the co-op members in the postwar period.

Through these intensive studies organized at the cooperatives a great change was made in the ideologi-

cal life of the leading functionaries and members of the cooperatives.

What the Party always held fast to in the ideological education of the co-op members was education in the Juche idea, revolutionary education and class education.

First of all, the Party explained and brought home to the co-op members the Juche idea, the revolutionary idea of the great leader Comrade Kim Il Sung, and his policy of the socialist transformation of private trade and industry and educated them in the glorious revolutionary traditions of the Party, thus enabling them to fully display their wisdom and enthusiasm for the development of the cooperative economy, with full sense of responsibility and revolutionary self-confidence.

Entrepreneurs and merchants joined cooperatives in large numbers in the postwar period. In such conditions it was essential to intensify class education among the co-op members. The Party helped the former private traders and industrialists to heighten their class consciousness, repeatedly explaining to them the exploiting nature of the capitalist system and the advantages of socialist system, comparing their changed status of today with that of the past. At the same time, the Party, enumerating plain facts, brought the co-op members to the realization that the socialist transformation of private trade and industry was proceeding amid a fierce class struggle. As a result, all the co-op members heightened their revolutionary vigilance, kept strict watch on the underhand manoeuvrings of the reactionaries and came out cons-

ciously in defense of the socialist cooperative economy from the enemy's encroachment.

In the ideological education of the co-op members, efforts were also made to get rid of their outmoded ideology and arm them with the spirit of collectivism and diligence.

As the common property of the cooperative economy was growing and cooperatives were going over to a higher form in succession, it became even more important to root out the selfish idea lingering in the minds of co-op members and equip them with the collectivist idea. Now cooperatives taking in a large number of entrepreneurs and merchants, there often appeared malpractices in which some co-op members, relying on shares of their investments, worked lazily or out of manner, yet trying to get a greater share, while some others lacked enthusiasm for public accumulation and carelessly handled the common property of cooperatives. This came from their selfishness and small-proprietor inclination. To consolidate and develop the cooperatives it was imperative to overcome such practices.

The Party brisked up the education of the co-op members with practical examples to get each of them to fully realize that the common property as the material foundation of his cooperative was a basic asset for the welfare of all co-op members and that the common interests of the cooperative fully accorded with the individual interests of its members. At the same time, the Party systematically explained to them that labour was the source of all material wealth and welfare and that the socialist principle of distribution

was most fair.

Ideological education tirelessly conducted by the Party brought about a great change in the ideological remoulding of cooperative members and proved its worth in their practical activity. All the co-op members firmly armed themselves with the revolutionary thought of the great leader Comrade Kim Il Sung and its embodiment, the Party policy for the socialist transformation of private trade and industry, and acquired the mental and moral traits befitting socialist working people. They came to display high political and labour enthusiasm and creative initiative in the struggle for the consolidation and development of the cooperative economy.

Thanks to our Party's efforts to firmly build up the leadership of cooperatives, increase the ranks of their members on a firm class principle and reshape their ideology, our cooperative economy embracing the private traders and industrialists was further consolidated politically and ideologically.

2) Economic Consolidation of the Cooperatives

Strengthening the cooperatives economically as well as politically and ideologically was essential for the new-born cooperative economy to demonstrate its advantages to the full. Only by quickly placing the newly-organized cooperatives on firm material and technical foundations and improving their manage-

ment and operation was it possible to make them assume the appearances of a socialist economy, increase their production and improve the material and cultural living standards of their members.

Under the wise leadership of the great leader Comrade Kim Il Sung the Party and the state gave systematic guidance and positive material, technical and financial aid to all the newly-organized cooperatives and thus consolidated them economically in a short span of time.

STATE'S MATERIAL, TECHNICAL AND FINANCIAL ASSISTANCE TO THE COOPERATIVE ECONOMY

The powerful material, technical and financial assistance of the state to the cooperative economy played a decisive role in consolidating the cooperatives economically.

The great leader Comrade Kim Il Sung taught:

"While vigorously carrying out the socialist transformation of handicrafts and capitalist trade and industry, we gave tremendous state assistance to the consolidation of the newly-organized producers' cooperatives" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 69).

Our cooperatives formed with private traders and industrialists had, without exception, very poor economic foundations. The same was the case with the cooperatives organized with handicraftsmen in the prewar days. During the war the medium and small

capitalists' economy fell into a state of complete bankruptcy. Hence very weak were the foundations of the cooperatives organized in the postwar period. Under such circumstances, the newly-organized cooperative economy could not show its advantage over the individual economy and organize production at the time unless it received special assistance from the state.

Most socialist states had mainly given financial aid to their producers' cooperatives. That was because those cooperatives had been organized on comparatively solid foundations for production and been able to run their economy normally if only they had got some funds from the state for some time. But the case was different in our country. Our private trade and manufacture at large had been extremely fragmented, and the state had exercised tight control over production and circulation from the outset. The cooperatives had no way but to rely on the positive assistance of the state in all aspects from equipment and raw materials to funds.

That was why the state gave intensive assistance—material, technical, financial, etc.—to the cooperatives from their inception.

What counted most in the economic assistance of the state to cooperatives was supply of equipment and raw and other materials which are indispensable for production. Most of our cooperatives were very poor in technique and equipment. Only a few cooperatives had power installations, and all cooperatives, with rare exceptions, were devoid of machine tools. This was their great trouble in organizing production at

the time. To save this trouble, the state supplied them with machines and equipment turned out by state-run enterprises, as far as possible, while enlisting equipment lying idle in state-owned enterprises and communities. All these machines and equipment were supplied free of charge or at prices lower than market prices.

Our cooperatives were also unable to procure all of their raw materials for themselves. Although they got agricultural products rather easily before agricultural cooperativization, they could hardly procure industrial raw materials as they were in the hands of the state economic sectors.

Taking this into account, the Party and the state made from the start the cooperatives solve the problem of raw materials mainly by enlisting raw materials latent in locality. This was a most correct policy from the viewpoint of both the development of the national economy as a whole and that of the cooperative economy. The cooperatives could contribute to the increase of material wealth by tapping vast latent reserves and possibilities—the raw materials in localities. This also provided them with favourable conditions for regular procurement of cheap raw materials. The state invested the cooperatives with the right to procure, so that they could actively secure local raw materials. Besides, it made state-run industrial enterprises supply the cooperatives with waste materials and some raw materials.

Afterwards, the agricultural cooperative movement progressed apace in the countryside and the state trade organs and consumers' cooperatives came to

purchase farm products in greater quantities. This brought about a great change in the supply of raw materials for producers' cooperatives. In the postwar days it was hardly possible for them to acquire agricultural products, to say nothing of the raw materials produced by industry. Without solving this problem they could not continue production.

The state established a system under which producers' cooperatives were supplied with raw materials by state-run enterprises and with farm and other products procured by socialist trade organs. At the same time, it let them more actively enlist the local raw materials by themselves. This enabled them to obtain all raw materials envisaged in their plans through organizational route.

Favoured and assisted by the state in the supply of equipment and raw and other materials, the cooperatives could overcome all difficulties usually attendant to private trade and industry and create all basic conditions for their productive activity.

Financial assistance by the state was a main factor behind the economic growth of the cooperatives.

Here, income tax served as a main lever. To shore up the newly-organized cooperatives the state favoured them with exemption from the income tax for the first six months after their inception. Reduced income tax was often imposed later upon cooperatives according to their specific conditions.

Reduction of income tax by the state quickly improved the financial status of the cooperatives in straitened circumstances and enabled them to brisk up their economic activity.

The state's financial assistance including reduction of income tax was greatly conducive to the normal development of the cooperative economy. Originally, the cooperative economy builds its funds with the entrance fees obligatory on the co-op members, the net profit accruing from business activity and the investments made separately by co-op members. This draws a line between state-run enterprises and the cooperative economy.

However, our private traders and manufacturers were so poor that they could hardly establish the funds of their cooperatives by themselves. Worse still, their cooperatives suffered heavy war damages. None of them were safe from the barbaric bombing and bombardment of the US imperialists. Towards 1953 they lost almost all of their funds and had to turn to the state loan even for their standard floating funds. This clearly shows how urgently the cooperative economy needed the financial assistance of the state at the time.

To back financially the cooperatives, the state reduced turnover levies and income tax, repealed back taxes and arrears, and on the other hand, extended a large amount of loans to them systematically. Under Cabinet decision No. 78 issued in June, 1954, for instance, 150 million *won* was loaned out to cooperatives as their floating funds on a one-year term of redemption. Thanks to the timely issue of such state loans, cooperatives could secure their floating funds and do their business without letup.

Great financial assistance of the state consolidated the financial status of the cooperatives and provid-

ed the basic conditions for their independent development.

CONSOLIDATION OF THE MATERIAL- TECHNICAL FOUNDATIONS OF THE COOPERATIVE ECONOMY

Thanks to the positive aid of the state and the creative labour of co-op members the cooperatives could successfully lay their material-technical foundations in a comparatively short span of time.

As our cooperatives had low productive forces at the time of their organization, it was very important for them to quickly lay their material-technical foundations and vigorously step up technical reconstruction. The socialist cooperative economy can prove its worth only when collective labour is based on new technique. The socialist cooperative economy must not be kept long on the backward technical foundations.

Hence our Party and state vigorously pushed ahead with the technical reconstruction of cooperatives taking advantage of the fine socialist relations of production which came into being with the transformation of economic sectors.

The urgent task was how to tackle the technical reconstruction of the cooperative economy. As the technical level of our cooperative economy was very low, it was impossible to effect technical reconstruction at one stroke or at a high level from the outset.

The great leader Comrade Kim Il Sung said:

“How, then, should we carry out the technical revolution? We must develop technology in every branch,

by means of introducing semi-mechanization where handicraft methods are used in production, mechanization where production is semi-mechanized, semi-automation where it is mechanized, and automation where it is semi-automated" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. IV, p. 183).

Majority of the producers' cooperatives in our country were formed on the basis of handicraft technique. Only a few introduced simple mechanization.

Therefore, the Party and the state made the cooperatives based on handicraft technique introduce semi-mechanization first and then gradually proceed to complete mechanization. But difficulties cropped up in the way of the technical reconstruction. Some functionaries neglected the backward technique, looking up to the modern one only while some others, driven by the mystery on technique, failed to knuckle down to the technical reconstruction.

Rejecting these two deviations revealed in the technical reconstruction, we saw to it that outmoded machines and equipment were improved one after another and small and medium machines were turned to good account to replace handicraft technique to begin with. And those cooperatives which introduced mechanization to some extent were made to steadily enhance their mechanization level by their own efforts and with the aid from the state. In this way the cooperatives could consolidate their technical foundations step by step.

What was important in stepping up the technical reconstruction was to enlist broad masses of people in it.

In the technical reconstruction of the cooperative economy, too, our Party and state closely followed the revolutionary mass line—an immutable principle they adhere to in the revolutionary struggle and the work of construction. Cooperatives had the possibility of achieving a big success in the technical reconstruction by enlisting the wisdom and creativity of their members. Quite a few private traders and manufacturers possessed some technique, though outmoded, which they had used before. Therefore, mass technical innovations could be made if they were actively enlisted and taught new technique. We roused the broad masses of co-op members to the movement for technical renovation. They made technical innovations and inventions everywhere, replacing outmoded techniques with new ones without interruption.

Experience clearly shows that a vigorous mass movement for technical reconstruction is the most revolutionary and positive way to replace the old technique by new one quickly, the beeline to transforming the cooperative economy based on handicraft technique into the advanced socialist one equipped with new technique.

IMPROVEMENT IN THE MANAGEMENT OF THE COOPERATIVE ECONOMY

The Party and the state paid a profound attention to the improvement and strengthening of the management of the cooperative economy as one of the tasks for its economic consolidation.

The cooperative economy is a socialist economy.

So it could not be successfully managed by the old method applied to the private economy. The birth of cooperatives required the new method of management and operation based on socialist principles.

But it was not easy to meet that requirement as the cooperatives were organized with erstwhile private traders and manufacturers and lacked for management personnel capable of operating the collective economy. This problem could be gradually solved only under the active guidance and aid of the Party and the state.

Improved planning acquired a prime importance in the management and operation of the cooperative economy.

The great leader Comrade Kim Il Sung said:

"As we always point up, planning is one of the key issues that influence the success of socialist economic construction.

"In a socialist society where all means of production are owned socially, the economy can never work without a plan. The socialist economy can develop only with a plan" (*ibid.*, p. 254).

Since the development of the cooperative economy as a socialist economy is closely linked with the development of the national economy as a whole, all economic activity of a cooperative should be conducted according to a plan without fail. What is essential in the management and operation of a cooperative is to place not only production but distribution, exchange, consumption and others on a planned basis.

To manage the cooperative economy in a planned way, the state assigned production quota to every co-

operative and made it draw a plan for production, materials, labour, fund, sale and others and put it into practice. Every year a guide to planning and printed forms needed for planning were sent down to the co-operatives and model lectures arranged for selected units to help them in planning.

In guiding the planning of the cooperative economy the state had to overcome in time such tendencies as to pursue only the narrow interest of a cooperative in planning without due regard to the demand of the state or set a target too high, seized by the subjective desire, in disregard of the raw and other materials and labour force of a cooperative. To correct these tendencies successfully, the Party and the state saw that co-op members were given a systematic explanation of the significance of planning and widely enlisted in planning through flawless organizational work.

Under the correct guidance of the Party and the state to the planned management of the cooperative economy the cooperatives came to organize and conduct all work in a planned way and correctly sum it up according to a set plan. In this way planning was placed on a higher plane.

In the management of the cooperative economy it was also important to allocate manpower rationally and establish a strict system and order in caring for equipment and materials.

Unlike in the private economy, in the cooperative economy collective labour prevails and it breaks only in exceptional cases. This demanded a well-knit allocation of manpower. But co-op members' habits that had accrued from their long-standing private labour,

were a problem in organizing labour. Some co-op members shied collective labour or chose a kind of work according to their taste.

In such situation, we organized labour properly, taking co-op members' skill, health and taste into full consideration, while conducting intensive ideological education among them to establish strict labour discipline. Properly combining collective, separate and migratory work, we provided every condition for all of them to work effectively. At the same time, for proper care of equipment, raw and other materials we consistently strove to establish a strict system and order within the cooperative, while giving priority to the education of the cooperative members in socialist patriotism.

This helped successfully prevent delinquency in labour and waste of the common property and gradually establish a socialist principle in labour administration and care of equipment and materials.

It was one of the most important problems in the management of the cooperative economy to maintain proper balance between accumulation and consumption and improve financing.

As mentioned above, our cooperatives were very weak financially at the inception of their formation. That was why serious attention was devoted to the consolidation of their financial foundations and the rational coordination of accumulation and consumption in the interest of both their perspective development and the immediate improvement of their members' living standards.

The Party and the state made it an immutable

principle for the cooperative economy to reckon with both accumulation and consumption in the distribution of its income and gradually increase the portion of consumption in proportion as accumulation increased.

But some management personnel of the cooperatives leaned on distribution giving a little thought to common accumulation, while some others overemphasized common accumulation, neglecting the immediate needs of the cooperative members. Both tendencies adversely affected the cooperatives where the investments and the contributed means of production were recognized as being under private ownership.

Therefore, the state saw to it that the proportion of dividend was properly fixed at a cooperative according to its form with due regard to its financial status and the level of consciousness of its members. The new revised standard rules adopted at the Third Meeting of Producers' Cooperatives in October 1956 stipulated that a cooperative paying no extra dividend upon the investments should turn over 35 per cent of its income to common accumulation and 45 per cent and less to the remuneration for labour and that a cooperative where the investments drew dividends should turn over 40 per cent of its income to common accumulation and 35 per cent and less to the remuneration for labour. By rationally coordinating accumulation and consumption, this measure made it possible to increase common accumulation and on this basis, pay reasonable dividends upon the investments,

while gradually increasing consumption in proportion as accumulation swelled.

In improving the financial status of the cooperatives, the state laid stress on their increased production as a basic means for it and, at the same time, took effective measures against the squandering and embezzlement of the common property. Important ones were the establishment of strict order in book-keeping and in the care of property, the regular organization of financial check-up, and the extensive enlistment of co-op members in financial control, etc.

Thanks to the systematic financial aid of the state and to the strenuous effort of cooperatives to improve their financial status, all cooperatives were able to put themselves on solid financial foundations. There was no longer a cooperative which failed to make both ends meet.

The effort for economic consolidation of the co-operative economy did not fail of its reward. All our cooperatives have developed into an excellent socialist collective economy based on firm material and technical foundations and the perfect system of socialist economic management.

3) Readjustment and Consolidation of the Organizational System of the Cooperative Economy

It was very important to bring cooperatives under

a correct organizational system for the politico-economic consolidation of the cooperative economy and the effective materialization of the Party and state guidance.

The cooperative economy has its own structure as a voluntary organization embracing the former private traders and manufacturers. However, it needs a regular guidance of the Party and the state and should maintain close relations with other political and economic bodies and enterprises. This requires a rational organizational structure of the cooperatives.

In consolidating the organizational structure of the cooperative economy, our Party and state always paid profound attention to the changing internal factors of each cooperative such as the number of its members, the range of its economic activity and the level of its qualitative composition, while taking due account of other social factors directly affecting it.

Our producers' cooperatives for private traders and manufacturers were first organized independently within the system of consumers' cooperatives. In other words, they were made to receive unified guidance from consumers' cooperatives and, at the same time, to fulfil independent functions and role.

This unique organizational structure of producers' cooperatives speaks for the specific conditions at the time. In the prewar days of peaceful construction, producers' cooperatives were few in number and their membership was small. Their economic foundations were weak, the range of their economic activity was narrow, and the qualifications of their management personnel were far below the mark.

By contrast, the consumers' cooperatives, formed already in May 1946, were well-knit organizationally and economically. And quite a few private traders and manufacturers affiliated with consumers' cooperatives, and there were close economic relations between consumers' and producers' cooperatives.

It was, therefore, entirely correct that under such specific situation, producers' cooperatives were guided within the system of consumers' cooperatives.

However, the rapid growth of the producers' cooperatives required a new form of organization commensurate with them. In nearly three years of their cooperation before the war the producers' cooperatives grew much in number and membership, consolidated their economic foundations and expanded the field of activity, and their management personnel acquired a certain amount of experience. On the other hand, the consumers' cooperatives prospered further and came to concentrate their efforts on trade.

Sizing up this situation in time, the Organizational Committee of the Party Central Committee adopted a resolution in March 1950, on separating the producers' cooperatives from the system of the consumers' cooperatives and establishing an organizational system of their own. Thus they came to have their own organizational system from the centre down to the grass-roots level, with its central leading organ placed directly under the Cabinet of the Republic.

This structural reorganization marked a new turn in expediting the socialist transformation of private trade and industry with added vigor and consolidating the newly-organized producers' cooperatives poli-

tically and economically. First of all, it enabled the Party and the state to give more substantial and flexible guidance and assistance to the socialist transformation of private trade and industry, and the producers' cooperatives at large to carry through the great leader Comrade Kim Il Sung's teachings and the Party policy to the letter. It also enabled them to increase their independent role and creativity in work under the direct guidance of the Party and the state and thus rectify defects in good time, tide over difficulties and obstacles on their own initiative and display their activity more vigorously.

Now the producers' cooperatives having their own organizational structure, the cooperative economy came to form a complete system and the relations between cooperatives on different lines were further tightened.

We strove strenuously to further strengthen the system of the producers' cooperatives after its reorganization. The point here was to reinforce their basic units and leading bodies at all levels and let them effectively fulfil their functions and role.

The Party regarded the correct formulation of rules and their strict observance at a cooperative as the basic way for each unit of the cooperative system to raise its functions and role, and devoted profound attention to this work.

Under the guidance of the Party, the Cabinet of the Republic adopted the decision No. 312 entitled "On Organizing Cooperatives and Strengthening Their Work" in August 1951 and approved and sent down the "standard rules of producers' cooperatives".

And producers' cooperatives were made to hold discussion of the rules in association with the election to their leading bodies at all levels. The first national conference of producers' cooperatives which was held in April 1952, in the wake of the election, officially adopted the new standard rules.

Adoption of the standard rules was an event of fundamental significance in the organizational consolidation of the producers' cooperatives.

The rules of producers' cooperative are the basic law for it and the standards of collective life. The standard rules framed by the state stipulate the character and objective of the cooperative, the qualifications for membership, the rights and duties of its members, and its bodies and their functions. Each cooperative member and body should strictly abide by the rules. Only then is it possible to consolidate the producers' cooperative.

In conducting the discussion of the rules and summing up the work and electing the leading organs, primary attention was directed to strengthening the basic organization of the cooperatives. The basic organization is the unit where the cooperative members lead a collective life and work together. It can be said that all activity of the producers' cooperatives proceeds within their basic unit. Hence, the reinforcement of the basic unit was essential for the consolidation of their system as a whole.

To this end, the Party saw to it that each cooperative discussed the standard rules sent down by the Cabinet in a democratic way with the participation of its membership and adapted them to suit its own

conditions, and that its leading body was staffed with politically and ideologically sound activists and a system and order were established for it to strictly abide by the rules in its work.

Besides, the Party made due effort to strengthen the upper bodies of the producers' cooperatives on all lines to increase their functions and role.

Establishment of the independent organizational system of producers' cooperatives and strengthening of their basic units and upper bodies on different lines helped all producers' cooperatives develop into a well-knit solid mass organization.

Our producers' cooperatives took in not only the private traders and manufacturers on different lines but also working people of other walks of life—disabled soldiers, dependents of the People's Army men, workers and office employees. This specific condition had to be taken into due account in organizing the producers' cooperatives.

Enlistment of private traders and manufacturers of different lines into the same cooperatives would prevent them from giving full play to their initiative and talents and cause uncalled-for complication in the management of the cooperatives. Moreover, it would be against principle to admit private traders and manufacturers into the same cooperative together with working people.

Therefore, our Party saw to it that the cooperatives of private traders and manufacturers were organized according to categories of business. Thus producers' cooperatives were classified into industry,

fishery, public service, necessities, embroidery and others, and as for the industrial cooperatives they were again classified into ironware, daily necessities, textiles, foodstuff processing and others. Organization of producers' cooperatives according to the categories of business and types of industry for private traders and manufacturers enabled the Party and the state and their upper bodies to give concrete guidance and assistance to them.

Besides, producers' cooperatives were organized with disabled soldiers, dependents of the People's Armymen and family dependents respectively, and each of them was made to choose a proper line. But these cooperatives differed radically from those of the private traders in character and the objective and way of organization. The former had nothing to do with the socialist transformation of the economic sectors. Nor were they organized with the investments of their members. There was no reason to keep them in the system of the producers' cooperatives.

Hence our Party reorganized them into state-run local industrial enterprises, while reshaping the system of producers' cooperatives in 1958 upon the completion of the socialist transformation of private trade and industry. Thus in our country was set up the well-organized system of the producers' cooperatives which embraced only the erstwhile private traders and manufacturers according to the types of industry.

The organizational structure of the producers' cooperatives was timely adjusted and reinforced according to the change of specific conditions. As a result, they developed into a powerful socialist collective

economy, better-knit in organization, and steadily increased their functions and role in socialist construction.

4. BRILLIANT REALIZATION OF SOCIALIST TRANSFORMATION OF PRIVATE TRADE AND INDUSTRY AND ITS HISTORIC SIGNIFICANCE

Under the wise leadership of the great revolutionary leader Comrade Kim Il Sung the historic task of the socialist transformation of private trade and industry was successfully carried out in our country.

The great leader Comrade Kim Il Sung taught as follows:

"One of the great achievements we have made in the domains of industry and circulation is the socialist transformation of private trade and industry" (Kim Il Sung, *Selected Writings*, Korean ed., Vol. VI, 1960, p. 64).

The successful socialist transformation of private trade and industry was another great socio-economic change that took place in the domains of industry and circulation after the nationalization of major industries; it, along with the agricultural cooperative movement, was a historic event that brought about the victory of the socialist revolution.

The course of transforming private trade and industry on socialist lines and its summing up in our country amply prove the correctness and originality

of the policy for the socialist transformation of private trade and industry put forward by the great leader Comrade Kim Il Sung and the sagacity and great vitality of his guidance.

1) Victorious Socialist Transformation of Private Trade and Industry and Its Factors

The socialist transformation of private trade and industry in our country began in 1947, the initial period of transition, proceeded in the prewar years of peaceful construction and even during the Fatherland Liberation War and developed on a full scale in the postwar period.

It went full steam ahead in the postwar days. The ratio of private traders and industrialists who joined the cooperatives stood at 33.7 per cent as of December 1, 1953. The figure soared to 59.4 per cent in 1955, 77.2 per cent in 1957, and 100 per cent by the end of August 1958. The number of cooperatives also increased quickly: in June 1959 there were 565 producers' cooperatives in our country.

The numerical growth of cooperatives was attended with their qualitative consolidation. In the first half of 1959 the cooperatives of the first form no longer existed, and those of the second form held 38 per cent and the third form 62 per cent. The joint accumulation funds of the producers' cooperatives grew 8.9 times in 1958 as against 1953, the accumulation funds for each

cooperative increased 5.6 times and the monthly real income of the cooperative members about three times in the corresponding period.

Thus, the socialist transformation of private trade and industry was victoriously wound up in August 1958, with the result that a system of socialist producers' cooperatives with powerful politico-economic strength was established in our country.

Remoulding entrepreneurs and merchants as well as handicraftsmen along socialist lines without expropriating them was an unfamiliar, complicated path our country had never trodden. However, we passed through this untrodden path smoothly without any ado and eventually won a great victory.

What then was the driving force and factor that made it possible to successfully carry out the socialist transformation of private trade and industry in our country?

The great leader Comrade Kim Il Sung said:

"Since the Party's policy of socialist transformation was correct, since the masses warmly accepted it and took part in its implementation with great revolutionary enthusiasm, we were able to accomplish very smoothly, in a short period of time, the most complicated and difficult revolutionary task of transforming agriculture, handicrafts and capitalist trade and industry along socialist lines, and to establish the advanced, socialist system in the northern half of our country" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. III, p. 73).

The decisive factor that contributed to the proud victory of the socialist transformation of private trade

and industry in our country is that the great leader Comrade Kim Il Sung, the genius of revolution and gifted thinker and theoretician, set forth the only correct policy for remoulding private trade and industry along socialist lines and sagaciously directed the whole Party and the entire people for its implementation.

On the basis of the requirement of the revolutionary development in our country and the scientific analysis of the actual conditions of private traders and industrialists, the great leader Comrade Kim Il Sung advanced the original policy of remoulding private traders and manufacturers, as well as handicraftsmen, along socialist lines through various forms of cooperative economy without expropriating them. The socialist remoulding of medium and small capitalists, along with the small producers, through cooperative economy was a new original experience unprecedented in history; and it was a brilliant fruition of the great Juche idea.

The policy of socialist transformation of private trade and industry advanced by the great leader Comrade Kim Il Sung was a bright beacon leading not only erstwhile handicraftsmen but also national capitalists straight to socialist and communist society and fully conformed to the demands of the revolutionary development of our country and the aspirations and demands of the private traders and manufacturers.

The great leader Comrade Kim Il Sung also clarified in an all-round way the strategy and tactics and specific ways and means to be firmly maintained for

the correct implementation of the policy of socialist transformation of private trade and industry, and wisely organized and directed this work in person.

The socialist transformation of private trade and industry in our country was carried out in a complicated situation in the teeth of the ever-increasing reactionary offensive of US imperialism and its stooges and the insidious manoeuvrings of the anti-Party, counterrevolutionary factionalists within the Party.

However, the great leader pushed it forward with unflagging tenacity and revolutionary sweep, firmly uniting the whole Party and the entire people as one and resolutely frustrating the attacks of the enemies within and without. The great leader's sagacious guidance in the remoulding of private traders and manufacturers along socialist lines was a basic guarantee that made them willingly join cooperatives with the firm belief that the cooperation alone was the path of glory leading them to a bright future.

The energetic guidance and assistance of the Party and the state and the positive efforts of private traders and manufacturers inspired by them were another important factor behind the victorious socialist transformation of private trade and industry in our country.

The Workers' Party of Korea under the sagacious guidance of the great leader splendidly fulfilled the role of leadership in the socialist transformation of private trade and industry. It persistently explained and propagated the great leader's policy of socialist transformation among the private merchants and manufacturers, rectified the deviations revealed in

each stage and period of the developing revolution and mobilized its excellent guiding personnel to the vigorous struggle for consolidating the cooperative economy politically and economically.

Powerful material, technical and financial assistance by the state played a decisive role in pushing forward the private traders and manufacturers to co-operation and strengthening the organized cooperatives politically and economically in a short span of time.

The positive guidance and assistance of the Party and the state to the cooperatives and the resultant rapid growth of the latter's political and economic strength virtually showed the correctness of the Party's policy and the superiority of the cooperative economy to the private merchants and manufacturers, and inspired them to participate voluntarily in the work of socialist transformation. All the cooperative members, deeply moved by the high favours done to them by the great leader who provided them with a new life, sped up their ideological remoulding and, at the same time, strove hard to consolidate the cooperative economy with a high degree of political enthusiasm and labour activity. Their vigorous creative labour struggle waged under the Party's leadership represented yet another important factor in developing the cooperatives organized almost from scratch into a powerful socialist collective economy in a brief period of time.

2) Historical Significance of Socialist Transformation of Private Trade and Industry

The successful transformation of private trade and industry along socialist lines is a great victory won by our people in carrying out the socialist revolution; and it is of tremendous political and economic significance.

With the socialist transformation of private trade and industry along with the agricultural cooperativization, an advanced, socialist system free from exploitation and oppression came to be firmly established in the northern half of the Republic—the very system our working people had longed for so many years, the system for which many Communists had shed blood.

The historical significance of the completion of socialist transformation of private trade and industry lies, above all, in the fact that it has turned the former handicraftsmen, entrepreneurs and merchants into honourable socialist working people and made it possible to strengthen the political and ideological unity of the entire people on a new socialist basis.

The great leader Comrade Kim Il Sung said:

“By joining the producers’ cooperatives, the entrepreneurs and traders completely broke with the past when they lived off others, and were transformed into socialist working people who produce material wealth

by their own labour" (Kim Il Sung, *Selected Works*, Eng. ed., Vol. V, p. 151).

The socialist transformation of private trade and industry wrought a radical change in the socio-economic conditions of the handicraftsmen, entrepreneurs and traders. The private handicraftsmen who had been engaged in the impoverished small commodity economy in the past and the entrepreneurs and traders who had exploited the working people, all became common owners of the means of production, masters of the socialist cooperative economy, and came to strive for the revolution and construction as socialist working people together with the rest of the people.

A great change was effected also in the ideological consciousness of private traders and manufacturers. During the whole period of socialist transformation of private trade and industry the work of remoulding people was untiringly conducted in close combination with the reorganization of the economic forms. Consequently, they all got gradually rid of the petty bourgeois and bourgeois ideologies in their minds, armed themselves with the great Juche idea and heightened their politico-ideological consciousness to fight devotedly for the revolution and construction.

Thus, the former private traders and manufacturers became glorious socialist working people who were fundamentally new in their socio-economic conditions and spiritual and moral traits.

With the remoulding of the private traders and manufacturers as well as the private peasants into socialist working people, the class composition of the society underwent a radical change. In our society

the exploiting and exploited classes existed no longer, the ranks of the working class expanded and the unity and cooperation of the working class, cooperative farmers and intellectuals constituted the basis of social relations. The politico-ideological unity of the popular masses became indestructible and our society turned into an invincible socialist big family where all members, firmly united around the great leader, fully display their revolutionary zeal and creative activeness.

The completion of socialist transformation of private trade and industry was also of great significance in rapidly developing the productive forces.

As a result of the socialist transformation of private trade and industry the socialist form of economy came to hold undivided sway in the domains of industry and circulation, all the working people, embraced in the socialist economic system, became able to fully display their creative wisdom and talents, and the productive forces came to develop apace along the road opened up by the socialist relations of production. The socialist laws of economy worked in all branches of industry and trade, which were thoroughly placed under state planning.

With the complete abolition of private ownership in the fields of industry and commerce the relations of exploitation were eliminated once and for all and the whole of the national income created in these fields was brought under the state control and effectively utilized for the development of the socialist economy and the improvement of the people's living.

The significance the socialist transformation of

private trade and industry had in the growth of productive forces found a vivid expression in the development of the industry owned by the cooperative organizations. The output value of the cooperative organizations' industry which was developed in our country following the socialist transformation of private trade and industry increased 22 times in 1959 as compared with 1949, and the proportion of the cooperative organizations' industry in the total output value of industry rose from 8.1 per cent in 1956 to 10.3 per cent in 1960.

A rapid technical progress was also made in the cooperative organizations' industry. As a result of replacement of the old relations of production by the advanced socialist ones, the obstacles in the way of technical progress were removed and technology advanced at a brilliant speed. After the completion of socialist transformation of private trade and industry all handicraft technique was removed and semi-mechanization and mechanization were widely introduced in the cooperative organizations' industry. The correctness and great vitality of the Party's original policy of transforming the economic sectors before technological reconstruction were displayed to the full in practice.

Another historic significance of the successful socialist transformation of private trade and industry in the northern half of the Republic lies in the fact that it clearly indicated the direction and prospect to the traders and manufacturers and national capitalists in the southern half and greatly inspired their struggle.

In south Korea occupied by the US imperialists the national capitalists and handicraftsmen are going bankrupt one after another under the oppression and exploitation of the foreign monopoly capitalists including US imperialism, landlords, comprador capitalists and reactionary bureaucrats. Lack of funds, raw materials and markets is the constant threat presented to the handicraftsmen and medium and small traders and manufacturers of south Korea.

The stark reality of the northern half of the Republic where the former national capitalists and private handicraftsmen have been all embraced in the cooperative economy and are leading a worthwhile life as socialist working people exerts a great revolutionary influence on the broad merchants and industrialists in south Korea.

The south Korean handicraftsmen and medium and small traders and manufacturers keenly realize through life that only by driving the US imperialists out of south Korea, overthrowing the puppet government and achieving the country's independent reunification, can they save themselves from poverty and decline.

Deeply conscious that they are the motive force of the south Korean revolution, they are more actively participating in the struggle to promote vigorously the revolution in south Korea and achieve the independent reunification of the country. The day is sure to come soon when all the handicraftsmen, entrepreneurs and traders of south Korea will get rid of oppression and exploitation by the US imperialists and their lackeys, and together with the rest of all Ko-

rean people lead a happy life under the warm care of the great leader Comrade Kim Il Sung.

The successful transformation of private trade and industry along socialist lines in our country has a great international significance. The vast majority of the countries in the present world, like our country, were colonial dependencies of imperialism in the past, and now have set out to create a new life after winning political independence. A great number of newly-independent countries, upholding the banner of independence and self-sustenance, are struggling for socialism, courageously surmounting all difficulties.

Our experience gained in the revolution and construction has an inspiring significance for the struggle of the peoples of these countries creating a new life and aspiring to socialism. Our country and other numerous newly independent countries of the world have many things in common in their past positions and the aim of their present struggles, and are on terms of actively supporting and closely helping each other. Our practical experience accumulated in the socialist transformation of private trade and industry will be greatly conducive to the social and economic reforms to be effected in the majority of the countries in the world which have not gone through normal development of capitalism and whose economy is held largely by handicrafts and medium and small trade and industry.

CONCLUSION

Through the struggle for transforming private trade and industry along socialist lines the Workers' Party of Korea and the Government of the Republic have acquired an important experience which adds valuable contributions to the development of revolutionary theories of the working class and the practical struggle for the socialist revolution.

The successful socialist transformation of private trade and industry in our country has firstly confirmed the new truth that the capitalist traders and manufacturers, like handicraftsmen, can be remoulded into socialist working people under the positive guidance and with the assistance of the working-class party and state without liquidating them through expropriation.

The capitalist traders and manufacturers in our country had a definite revolutionary spirit as national capitalists of a colonial semi-feudal society and their economy was fragmentized and negligible in the past. Considering such specific features of the national capitalists, the Party carried out the anti-imperialist national-liberation struggle and the democratic revolution together with them and remoulded them along socialist lines instead of expropriating them at the stage of the socialist revolution.

Our practical experience shows that it is most rational not to expropriate entrepreneurs and merchants but to remould them along socialist lines when

the Party's prestige is high, the revolutionary forces overpower the counterrevolutionary forces and the entrepreneurs and traders support the Party's socialist revolutionary lines.

Secondly, our practical experience shows that the cooperative economy is the most suitable form in remoulding on socialist lines not only handicraftsmen but also badly ruined entrepreneurs and traders. Our Party correctly defined the forms of cooperative economy and enlisted private traders and manufacturers in the socialist economy. Particularly it successfully carried out the complicated work of remoulding merchants into socialist working people by making effective use of interim forms such as marketing and producing-marketing cooperatives.

Thirdly, our practical experience vividly indicates that the basic guarantee for the successful socialist transformation of private trade and industry is to correctly fix the time of socialist transformation, closely combine the transformation of economic forms and the remoulding of man, overcome private trade and industry through emulation by enhancing the leading role of the socialist economy and simultaneously carry out the transformation of private trade and industry and the agricultural cooperative movement.

Lastly, our historic experience gained in the socialist transformation of private trade and industry irrefutably proves that the Party's correct political guidance and the state's many-sided assistance assume vital importance in transforming private trade and industry along socialist lines and in consolidat-

ing the built cooperative economy.

Our historic experience in the socialist transformation of private trade and industry is a valuable wealth of not only our people but the world revolutionary people who are striving to consolidate national independence and build socialism under the banner of independence and self-sustenance.

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